

EMALAHLENI

MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2018

EMALAHLENI MUNICIPALITY

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EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

NATURE OF BUSINESS

Emalahleni Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Emalahleni Municipality includes the following areas:

Dordrecht
Indwe
Lady Frere

MUNICIPAL MANAGER

Dr. Sitembele Wiseman Vatala

CHIEF FINANCIAL OFFICER

GP De Jager

REGISTERED OFFICE

Emalahleni Municipality
37 Indwe Road;
Lady Frere
5410

AUDITORS

Office of the Auditor-General (Eastern Cape)

PRINCIPLE BANKERS

Standard Bank; 92 Cathcart RD; Queenstown; 5320

ATTORNEYS

NT Vuba Attorneys Inc
Ntsiki Pakade Attorneys and Consultants
Tonise Attorneys

EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
Remuneration of Public Officer Bearers Act (Act 20 of 1998)

MEMBERS OF THE EMALAHLENI MUNICIPALITY

WARD

Ward 01 Councillor
Ward 02 Councillor
Ward 03 Councillor
Ward 04 Councillor
Ward 05 Councillor
Ward 06 Councillor
Ward 07 Councillor
Ward 08 Councillor
Ward 09 Councillor
Ward 10 Councillor
Ward 11 Councillor
Ward 12 Councillor
Ward 13 Councillor
Ward 14 Councillor
Ward 15 Councillor
Ward 16 Councillor
Ward 17 Councillor
PR Mayor
PR Speaker
PR Chairperson of section 79 Committee
PR Executive Committee
PR Councillor

COUNCILLOR

Thozama Mrwebi
Nolistern Kama
Xolela Hendrick Njadu
Nomzi Mary Tyhulu
Siyabulela Bongo
Nontombizanele Flowerdale Koni
Sipo Ernest Zama
Nosibulelo Mavis Nqono
Linda Arnold Fatyela
Zoyisile Given Moshane
Thembi Florence Mondile
Tandiwe Monica Ndlela
Nowandisile Nobantu Kraqa
Mncedisi Sydney Qomoyi
Lizo Nelson Paul
Makosandile Makatesi
Cecil Hluphekile Bobotyane
Nomveliso Nyukwana
Dumisa Shadrack Kalolo
Patricia Lumka Mapete
Thandeka Gloria Kulashe
Nolitha Catherine Lali

EMALAHLENI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

GENERAL INFORMATION

MEMBERS OF THE EMALAHLENI MUNICIPALITY

WARD		COUNCILLOR
PR	Chairperson of section 79 Committee	Primrose Badikazi Twala
PR	Executive Committee	Sibha Liwani
PR	Councillor	Thobeka Daphne Sixishe
PR	Councillor	Nokwandisa Mildred Ziduli
PR	Executive Committee	Mcebisi Stephen Limba
PR	Executive Committee	Ncedisa Mtyobile
PR	Councillor	Pieter Frederick Greyling
PR	Councillor	Michael Fumanekile Mthandeki
PR	Executive Committee	Mxolisi Peacemaker Oyiya
PR	Councillor	Rosenberg Zolile Feni
PR	Councillor	Zenzile Dennis Mahola
PR	Councillor	Kwaaiman Mjezu

EMALAHLENI MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 1 to 93 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Dr. Sitembele Wiseman Vataala
Municipal Manager

31 August 2018
Date

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 Restated R
ASSETS			
Non-Current Assets		431,379,297	416,678,130
Property, Plant and Equipment	2	426,588,911	412,032,468
Investment Property	3	4,151,887	4,154,287
Intangible Assets	4	455,962	308,838
Heritage Assets	5	182,536	182,536
Current Assets		17,880,325	46,437,255
Receivables from exchange transactions	6	4,014,264	5,683,400
Receivables from non-exchange transactions	7	5,910,505	16,169,462
Unpaid Conditional Government Grants and Receipts	17	-	1,691,866
Operating Lease Asset	8.1	68,449	78,480
Taxes	9	2,020,692	9,680,050
Cash and Cash Equivalents	10.1	5,866,415	13,133,998
Total Assets		449,259,622	463,115,385
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		10,262,395	6,877,627
Long-term Borrowings	11	779,237	-
Non-current Provisions	12	1,826,946	-
Non-current Employee Benefits	13	7,656,212	6,877,627
Current Liabilities		30,590,913	41,379,490
Provisions	14	10,380,218	11,210,331
Current Employee Benefits	15	9,981,781	9,032,175
Trade and Other Payables from exchange transactions	16	9,860,161	20,040,999
Unspent Conditional Grants and Receipts	17	-	800,500
Current Portion of Long-term Borrowings	11	368,752	295,485
Total Liabilities		40,853,308	48,257,117
Net Assets		408,406,314	414,858,273
Accumulated Surplus/(Deficit)		408,406,314	414,858,273
Total Net Assets and Liabilities		449,259,622	463,115,390

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		161,250,048	163,822,633
Taxation Revenue		5,211,974	4,146,296
Property Rates	18	5,211,974	4,146,296
Transfer Revenue		155,419,736	158,245,205
Government Grants and Subsidies - Operating	19	121,753,786	132,075,105
Government Grants and Subsidies - Capital	19	33,665,950	26,170,100
Other Revenue		618,339	1,431,131
Actuarial Gains	13	609,208	1,278,548
Fines, Penalties and Forfeits		9,131	115,919
Contributed Assets		-	36,664
Revenue from Exchange Transactions		23,021,719	24,963,939
Service Charges	20	13,596,504	14,799,087
Rental of Facilities and Equipment		813,070	727,068
Interest Earned - external investments	21	1,182,620	2,312,651
Interest Earned - outstanding receivables	22	4,853,965	4,708,774
Licences and Permits		1,637,834	1,072,974
Agency Services		74,505	66,627
Gains on Sale of Fixed Assets		33,412	490,000
Other Income	23	829,809	786,757
Total Revenue		184,271,767	188,786,571
EXPENDITURE			
Employee related costs	24	(74,155,289)	(66,175,192)
Remuneration of Councillors	25	(12,466,471)	(11,184,958)
Bad debts written-off		(5,260,944)	(5,079,096)
Debt Impairment		(7,792,665)	(2,327,348)
Contracted Services		(6,500,662)	(6,282,007)
Depreciation and Amortisation	26	(22,152,333)	(20,563,846)
Finance Costs	27	(1,713,472)	(1,363,144)
Bulk Purchases	28	(12,931,660)	(12,948,236)
Other Operating Grant Expenditure		(4,301,475)	(14,583,595)
General Expenses	29	(43,448,754)	(45,369,448)
Loss on disposal of Property, Plant and Equipment		-	(1,244,154)
Total Expenditure		(190,723,727)	(187,121,023)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(6,451,960)	1,665,548

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2016	400,462,233	400,462,233
Correction of Error - note 30	12,730,492	12,730,492
Restated balance	413,192,725	413,192,725
Net Surplus/(Deficit) for the year	1,665,548	1,665,548
Balance at 30 June 2017	414,858,273	414,858,273
Net Surplus/(Deficit) for the year	(6,451,960)	(6,451,960)
Balance at 30 June 2018	408,406,314	408,406,314

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and other		33 570 663	19 852 874
Government - Operating		121 753 786	132 075 105
Government - Capital		34 557 316	26 170 100
Interest		1 182 620	7 021 425
Cash payments			
Suppliers		(75 263 117)	(92 901 055)
Employees		(73 798 076)	(57 758 869)
Councillors		(12 466 471)	(11 184 958)
Finance Charges		(49 780)	(1 363 144)
Net Cash from Operating Activities	31	29 486 939	21 911 479
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(36 313 933)	(36 561 540)
Proceeds on Disposal of Fixed Assets		114 912	-
Purchase of Intangible Assets		(202 050)	(282 540)
Net Cash from Investing Activities		(36 401 070)	(36 844 080)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(353 452)	(352 862)
Net Cash from Financing Activities		(353 452)	(352 862)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7 267 583)	(15 285 464)
Cash and Cash Equivalents at the beginning of the year		13 133 998	28 419 461
Cash and Cash Equivalents at the end of the year	32	5 866 415	13 133 998
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7 267 583)	(15 285 464)

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	(i.t.o. s28 and s31 of the MFMA)	R	(i.t.o. s31 of the MFMA)	(i.t.o. Council approved by-law)	R	2018 R	%
ASSETS								
Current Assets								
Cash	1 072 000	24 949 841	26 021 841	-	-	26 021 841	5 866 415	-77,46%
Consumer Debtors	17 908 000	(31 731 916)	(13 825 916)	-	-	(13 825 916)	9 924 769	-171,78%
Other Debtors	-	38 315 519	38 315 519	-	-	38 315 519	2 089 141	-94,55%
Total Current Assets	18 978 000	31 533 444	50 511 444	-	-	50 511 444	17 860 325	-64,60%
Non-Current Assets								
Investment Property	3 972 000	(184 458)	3 787 542	-	-	3 787 542	4 151 887	9,62%
Property, Plant and Equipment	436 925 000	(21 478 630)	415 446 370	-	-	415 446 370	426 588 911	2,68%
Intangible Assets	191 000	209 536	400 536	-	-	400 536	455 962	13,84%
Other Non-Current Assets	183 000	(464)	182 536	-	-	182 536	182 536	0,00%
Total Non-Current Assets	441 271 000	(21 454 016)	419 816 984	-	-	419 816 984	431 379 297	2,75%
TOTAL ASSETS	460 249 000	10 079 428	470 328 428	-	-	470 328 428	449 259 622	-4,48%
LIABILITIES								
Current Liabilities								
Borrowing	310 000	(310 000)	-	-	-	-	368 752	0,00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	-
Trade and Other Payables	26 501 000	1 186 397	27 687 397	-	-	27 687 397	9 860 161	-64,39%
Provisions	20 401 000	2 921 565	23 322 565	-	-	23 322 565	20 361 999	-12,69%
Total Current Liabilities	47 212 000	3 797 962	51 009 962	-	-	51 009 962	30 580 913	-40,03%
Non-Current Liabilities								
Borrowing	8 283 000	(9 476 464)	(1 193 464)	-	-	(1 193 464)	779 237	-165,29%
Provisions	8 210 000	(1 564 383)	6 645 617	-	-	6 645 617	9 483 158	42,70%
Total Non-Current Liabilities	16 493 000	(11 040 848)	5 452 152	-	-	5 452 152	10 262 395	88,23%
TOTAL LIABILITIES	63 705 000	(7 242 886)	56 462 114	-	-	56 462 114	40 853 308	-27,64%
NET ASSETS								
Accumulated Surplus/(Deficit)	396 544 000	17 322 314	413 866 314	-	-	413 866 314	408 406 314	-1,32%
TOTAL NET ASSETS	396 544 000	17 322 314	413 866 314	-	-	413 866 314	408 406 314	-1,32%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	2018		Actual Outcome as % of Final Budget
	R	R	R	R	R	Actual Outcome	%	
REVENUE								
Property Rates	4,302,472	999,997	5,302,469	-	-	5,211,974	-1.71%	
Service Charges - Electricity Revenue	10,765,153	(1,103,537)	9,661,616	-	-	10,113,373	4.68%	
Service Charges - Refuse Revenue	3,500,000	204,485	3,704,485	-	-	3,483,131	-5.98%	
Rental of Facilities and Equipment	815,099	95,583	910,682	-	-	813,070	-10.72%	
Interest Earned - External Investments	2,537,636	(1,472,612)	1,065,024	-	-	1,182,620	11.04%	
Interest Earned - Outstanding Debtors	5,216,273	(125,751)	5,090,522	-	-	4,853,965	-4.65%	
Fines	337,460	(238,302)	99,158	-	-	9,131	-90.79%	
Licences and Permits	1,700,100	(4,412)	1,695,688	-	-	1,637,834	-3.41%	
Agency Services	958,395	(98,278)	860,117	-	-	74,505	-91.34%	
Transfers Recognised - Operational	123,838,050	(2,007,500)	121,830,550	-	-	121,753,786	-0.06%	
Other Revenue	621,751	302,864	924,615	-	-	1,439,017	55.63%	
Gains on Disposal of PPE		114,912	114,912	-	-	33,412	-70.92%	
Total Revenue (excluding capital transfers and contributions)	35.1.5	154,592,389	(3,332,551)	151,259,838	-	151,259,838	150,605,818	-0.43%
EXPENDITURE								
Employee Related Costs	78,926,270	(7,525,603)	71,400,667	-	-	74,155,289	3.86%	
Remuneration of Councillors	12,071,095	470,154	12,541,249	-	-	12,466,471	-0.60%	
Bad debts written-off	-	-	-	-	-	5,260,944	100.00%	
Debt Impairment	7,500,002	(1,500,002)	6,000,000	-	-	7,792,665	29.88%	
Depreciation and Asset Impairment	24,729,059	809,472	25,538,531	-	-	22,152,333	-13.26%	
Finance Charges	657,200	-	657,200	-	-	1,713,472	160.72%	
Bulk Purchases	16,550,001	(5,847,032)	10,702,969	-	-	12,931,660	20.82%	
Other Materials	6,571,022	(5,081,596)	1,489,426	-	-	-	-100.00%	
Contracted Services	5,882,001	5,294,714	11,176,715	-	-	6,500,662	-41.84%	
Transfers and Grants	435,000	706,373	1,141,373	-	-	-	-100.00%	
Other Expenditure	41,500,823	(1,305,361)	40,195,462	-	-	47,750,230	18.80%	
Total Expenditure	35.1.6	194,822,473	(13,978,881)	180,843,592	-	180,843,592	190,723,727	5.46%
Surplus/(Deficit)	(40,230,084)	10,646,331	(29,583,753)	-	-	(29,583,753)	(40,117,909)	35.61%
Transfers Recognised - Capital	32,357,950	1,308,000	33,665,950	-	-	33,665,950	33,665,950	0.00%
Surplus/(Deficit) after Capital Transfers & Contributions	(7,872,134)	11,954,331	4,082,197	-	-	4,082,197	(6,451,960)	-258.05%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget		Actual Outcome	Actual Outcome as % of Final Budget
						R	R		
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	13 309 084	14 165 146	27 474 211			27 474 211	33 570 663		22,19%
Taxation	123 838 050	(3 406 500)	120 431 550			120 431 550	121 753 786		1,10%
Government - Operating	32 357 950	1 308 000	33 665 950			33 665 950	34 557 316		2,65%
Government - Capital	5 145 772	(804 503)	4 341 269			4 341 269	1 182 620		-72,76%
Interest		-							
Payments									
Suppliers and Employees	(158 381 207)	30 122 540	(128 258 668)			(128 258 668)	(157 226 189)		22,59%
Finance costs	(657 200)	-	(657 200)			(657 200)	(49 780)		-92,43%
Transfers and Grants	(435 000)	(706 373)	(1 141 373)			(1 141 373)	(4 301 475)		276,87%
35.1.7	15 177 429	40 678 310	55 855 739	-	-	55 855 739	29 486 939		-47,21%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	-	344 736	344 736			344 736	114 912		-66,67%
Proceeds on disposal of PPE									
Payments									
Capital Assets	(40 357 950)	2 201 418	(38 156 532)			(38 156 532)	(36 515 983)		-4,30%
35.1.8	(40 357 950)	2 546 154	(37 811 796)	-	-	(37 811 796)	(36 401 070)		-3,73%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	8 000 000	(8 910 000)	(910 000)			(910 000)	-		-100,00%
Borrowing long term/refinancing									
Payments									
Repayment of Borrowing	-	(295 485)	(295 485)			(295 485)	(353 452)		19,62%
35.1.9	8 000 000	(9 205 485)	(1 205 485)	-	-	(1 205 485)	(353 452)		-70,68%
Net Cash from/(used) Financing Activities	(17 180 521)	34 018 978	16 838 458	-	-	16 838 458	(7 267 583)		-143,16%
NET INCREASE/(DECREASE) IN CASH HELD	18 253 113	(10 238 231)	8 014 882			8 014 882	13 133 998		63,87%
Cash and Cash Equivalents at the year begin:									
Cash and Cash Equivalents at the year end:	1 072 592	23 780 748	24 853 340	-	-	24 853 340	5 866 415		-76,40%

EMALAHLENI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		161 250 048	163 822 633
Taxation Revenue		5 211 974	4 146 296
Property Rates	18	5 211 974	4 146 296
Transfer Revenue		155 419 736	158 245 205
Government Grants and Subsidies - Operating	19	121 753 786	132 075 105
Government Grants and Subsidies - Capital	19	33 665 950	26 170 100
Other Revenue		618 339	1 431 131
Actuarial Gains	13	609 208	1 278 548
Fines, Penalties and Forfeits		9 131	115 919
Contributed Assets		-	36 664
Revenue from Exchange Transactions		23 021 719	24 963 939
Service Charges	20	13 596 504	14 799 087
Rental of Facilities and Equipment		813 070	727 068
Interest Earned - external investments	21	1 182 620	2 312 651
Interest Earned - outstanding receivables	22	4 853 965	4 708 774
Licences and Permits		1 637 834	1 072 974
Agency Services		74 505	66 627
Gains on Sale of Fixed Assets		33 412	490 000
Other Income	23	829 809	786 757
Total Revenue		184 271 767	188 786 571
EXPENDITURE			
Employee related costs	24	(74 155 289)	(66 175 192)
Remuneration of Councillors	25	(12 466 471)	(11 184 958)
Bad debts written-off		(5 260 944)	(5 079 096)
Debt Impairment		(3 508 522)	(2 327 348)
Contracted Services		(6 500 662)	(6 282 007)
Depreciation and Amortisation	26	(22 152 333)	(20 563 846)
Finance Costs	27	(1 713 472)	(1 363 144)
Bulk Purchases	28	(12 931 660)	(12 948 236)
Other Operating Grant Expenditure		(4 301 475)	(14 583 595)
General Expenses	29	(43 448 754)	(45 369 448)
Loss on disposal of Property, Plant and Equipment		-	(1 244 154)
Total Expenditure		(186 439 584)	(187 121 023)
NET SURPLUS/(DEFICIT) FOR THE YEAR		(2 167 817)	1 665 548

EMALAHLENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2016	400 462 233	400 462 233
Correction of Error - note 30	8 446 349	8 446 349
Restated balance	408 908 582	408 908 582
Net Surplus/(Deficit) for the year	1 665 548	1 665 548
Balance at 30 June 2017	410 574 130	410 574 130
Net Surplus/(Deficit) for the year	(2 167 817)	(2 167 817)
Balance at 30 June 2018	408 406 314	408 406 314

EMALAHLENI MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and other		33 570 663	19 852 874
Government - Operating		121 753 786	132 075 105
Government - Capital		34 557 316	26 170 100
Interest		1 182 620	7 021 425
Cash payments			
Suppliers		(75 263 117)	(92 901 055)
Employees		(73 798 076)	(57 758 869)
Councillors		(12 466 471)	(11 184 958)
Finance Charges		(49 780)	(1 363 144)
Net Cash from Operating Activities	31	29 486 939	21 911 479
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(36 313 933)	(36 561 540)
Proceeds on Disposal of Fixed Assets		114 912	-
Purchase of Intangible Assets		(202 050)	(282 540)
Net Cash from Investing Activities		(36 401 070)	(36 844 080)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(353 452)	(352 862)
Net Cash from Financing Activities		(353 452)	(352 862)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7 267 583)	(15 285 464)
Cash and Cash Equivalents at the beginning of the year		13 133 998	28 419 461
Cash and Cash Equivalents at the end of the year	32	5 866 415	13 133 998
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(7 267 583)	(15 285 464)

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	(i.t.o. s28 and s31 of the MFMA)	R	(i.t.o. s31 of the MFMA)	(i.t.o. Council approved by-law)	R	2018 R	%
ASSETS								
Current Assets								
Cash	1 072 000	24 949 841	25 021 841	-	-	26 021 841	5 866 415	-77,46%
Consumer Debtors	17 906 000	(31 731 916)	(13 825 916)	-	-	(13 825 916)	9 924 769	-171,78%
Other Debtors	-	38 315 519	38 315 519	-	-	38 315 519	2 089 141	-94,55%
Total Current Assets	18 978 000	31 533 444	50 511 444	-	-	50 511 444	17 880 325	-64,60%
Non-Current Assets								
Investment Property	3 972 000	(184 458)	3 787 542	-	-	3 787 542	4 151 887	9,62%
Property, Plant and Equipment	436 925 000	(21 478 630)	415 446 370	-	-	415 446 370	426 588 911	2,68%
Intangible Assets	191 000	209 536	400 536	-	-	400 536	455 962	13,84%
Other Non-Current Assets	183 000	(464)	182 536	-	-	182 536	182 536	0,00%
Total Non-Current Assets	441 271 000	(21 454 016)	419 816 984	-	-	419 816 984	431 379 297	2,75%
TOTAL ASSETS	460 249 000	10 079 428	470 328 428	-	-	470 328 428	449 259 622	-4,48%
LIABILITIES								
Current Liabilities								
Borrowing	310 000	(310 000)	-	-	-	-	368 752	0,00%
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	-	-
Trade and Other Payables	26 501 000	1 186 397	27 687 397	-	-	27 687 397	9 860 161	-64,39%
Provisions	20 401 000	2 921 565	23 322 565	-	-	23 322 565	20 361 999	-12,69%
Total Current Liabilities	47 212 000	3 797 962	51 009 962	-	-	51 009 962	30 590 913	-40,03%
Non-Current Liabilities								
Borrowing	8 283 000	(9 476 464)	(1 193 464)	-	-	(1 193 464)	779 237	-165,29%
Provisions	8 210 000	(1 564 383)	6 645 617	-	-	6 645 617	9 483 158	42,70%
Total Non-Current Liabilities	16 493 000	(11 040 848)	5 452 152	-	-	5 452 152	10 262 395	88,23%
TOTAL LIABILITIES	63 705 000	(7 242 886)	56 462 114	-	-	56 462 114	40 853 308	-27,64%
NET ASSETS								
Accumulated Surplus/(Deficit)	396 544 000	17 322 314	413 866 314	-	-	413 866 314	408 406 314	-1,32%
TOTAL NET ASSETS	396 544 000	17 322 314	413 866 314	-	-	413 866 314	408 406 314	-1,32%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget		Actual Outcome		Actual Outcome as % of Final Budget
						R	R	2018 R	%	
REVENUE										
Property Rates	4 302 472	999 997	5 302 469	-	-	5 302 469	5 211 974			-1,71%
Service Charges - Electricity Revenue	10 765 153	(1 103 537)	9 661 616	-	-	9 661 616	10 113 373			4,68%
Service Charges - Refuse Revenue	3 500 000	204 485	3 704 485	-	-	3 704 485	3 483 131			-5,98%
Rental of Facilities and Equipment	815 099	95 583	910 682	-	-	910 682	813 070			-10,72%
Interest Earned - External Investments	2 537 636	(1 472 612)	1 065 024	-	-	1 065 024	1 182 620			11,04%
Interest Earned - Outstanding Debtors	5 216 273	(125 751)	5 090 522	-	-	5 090 522	4 853 965			-4,65%
Fines	337 460	(238 302)	99 158	-	-	99 158	9 131			-90,79%
Licences and Permits	1 700 100	(4 412)	1 695 688	-	-	1 695 688	1 637 834			-3,41%
Agency Services	958 395	(98 278)	860 117	-	-	860 117	74 505			-91,34%
Transfers Recognised - Operational	123 838 050	(2 007 500)	121 830 550	-	-	121 830 550	121 753 786			-0,06%
Other Revenue	621 751	302 864	924 615	-	-	924 615	1 439 017			55,63%
Gains on Disposal of PPE		114 912	114 912	-	-	114 912	33 412			-70,92%
Total Revenue (excluding capital transfers and contributions)										
35.1.5	154 592 389	(3 332 551)	151 259 838	-	-	151 259 838	150 605 818			-0,43%
EXPENDITURE										
Employee Related Costs	78 926 270	(7 525 603)	71 400 667	-	-	71 400 667	74 155 289			3,86%
Remuneration of Councillors	12 071 095	470 154	12 541 249	-	-	12 541 249	12 466 471			-0,60%
Bad debts written-off	-	-	-	-	-	-	5 260 944			100,00%
Debt Impairment	7 500 002	(1 500 002)	6 000 000	-	-	6 000 000	3 508 522			-41,52%
Depreciation and Asset Impairment	24 729 059	809 472	25 538 531	-	-	25 538 531	22 152 333			-13,26%
Finance Charges	657 200	-	657 200	-	-	657 200	1 713 472			160,72%
Bulk Purchases	16 550 001	(5 847 032)	10 702 969	-	-	10 702 969	12 931 660			20,82%
Other Materials	6 571 022	(5 081 596)	1 489 426	-	-	1 489 426	-			-100,00%
Contracted Services	5 882 001	5 294 714	11 176 715	-	-	11 176 715	6 500 662			-41,84%
Transfers and Grants	435 000	706 373	1 141 373	-	-	1 141 373	-			-100,00%
Other Expenditure	41 500 823	(1 305 361)	40 195 462	-	-	40 195 462	47 750 230			18,80%
Total Expenditure										
35.1.6	194 822 473	(13 978 881)	180 843 592	-	-	180 843 592	186 439 584			3,09%
Surplus/(Deficit)										
	(40 230 084)	10 646 331	(29 583 753)	-	-	(29 583 753)	(35 833 766)			21,13%
Transfers Recognised - Capital										
	32 357 950	1 308 000	33 665 950	-	-	33 665 950	33 665 950			0,00%
Surplus/(Deficit) after Capital Transfers & Contributions										
	(7 872 134)	11 954 331	4 082 197	-	-	4 082 197	(2 167 817)			-153,10%

EMALAHLENI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
	Taxation	13 309 064	14 165 146	27 474 211			27 474 211	33 570 663	22,19%
	Government - Operating	123 838 050	(3 406 500)	120 431 550			120 431 550	121 753 786	1,10%
	Government - Capital	32 357 950	1 308 000	33 665 950			33 665 950	34 557 316	2,65%
	Interest	5 145 772	(804 503)	4 341 269			4 341 269	1 182 620	-72,76%
	Payments								
	Suppliers and Employees	(158 381 207)	30 122 540	(128 258 668)			(128 258 668)	(157 226 189)	22,59%
	Finance costs	(657 200)	-	(657 200)			(657 200)	(49 780)	-92,43%
	Transfers and Grants	(435 000)	(706 373)	(1 141 373)			(1 141 373)	(4 301 475)	276,87%
	Net Cash from/(used) Operating Activities	15 177 429	40 678 310	55 855 739	-	-	55 855 739	29 486 939	-47,21%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
	Proceeds on disposal of PPE	-	344 736	344 736			344 736	114 912	-66,67%
Payments									
	Capital Assets	(40 357 950)	2 201 418	(38 156 532)			(38 156 532)	(36 515 983)	-4,30%
	Net Cash from/(used) Investing Activities	(40 357 950)	2 546 154	(37 811 796)	-	-	(37 811 796)	(36 401 070)	-3,73%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
	Borrowing long term/refinancing	8 000 000	(8 910 000)	(910 000)			(910 000)	-	-100,00%
Payments									
	Repayment of Borrowing	-	(295 485)	(295 485)			(295 485)	(353 452)	19,62%
	Net Cash from/(used) Financing Activities	8 000 000	(9 205 485)	(1 205 485)	-	-	(1 205 485)	(353 452)	-70,68%
	NET INCREASE/(DECREASE) IN CASH HELD	(17 180 521)	34 018 978	16 838 458	-	-	16 838 458	(7 267 583)	-143,16%
	Cash and Cash Equivalents at the year begin:	18 253 113	(10 238 231)	8 014 882			8 014 882	13 133 998	63,87%
	Cash and Cash Equivalents at the year end:	1 072 592	23 780 748	24 853 340	-	-	24 853 340	5 866 415	-76,40%

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the annual financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statements of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statements of Comparison of Budget and Actual Amounts. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities until the Minister of Finance has determined an effective date for the accounting standard.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosure	1 April 2019

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(Original – June 2011)	<p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 109	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment</p>	1 April 2019
GRAP 110	<p>Living and non-living resources</p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future</p>	1 April 2019
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of</p>	1 April 2019

EMALAHLENI MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	statutory receivables.	
	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

1.13.3 Staff Leave accrued

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Unused leave is being capped at 48 days.

Accumulated leave is vesting.

1.13.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.13.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	5 - 100
Infrastructure	Landfill Site	10 – 100
	Electricity	1 – 75
	Water	12 – 182
	Roads	1-120
	Security Measures	1 – 50
Community Assets	Cemeteries & Fencing	1 – 100
	Halls	5 -100
	Library	5- 100

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
	Buildings Other	5-100
	Parks and Gardens	1 - 50
	Sportfields and Stadia	1- 100
Leased Asset	None	3
Heritage	None	Indefinite
Other Assets	Computer Hardware	1 – 25
	Plant and Equipment	1 – 25
	Furniture and Other Office Equipment	1 – 40
	Markets	1 - 35
	Vehicles and Specialised Vehicles	1 – 55

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

Work in progress is considered to be taking a significantly longer time to complete if it is behind schedule for more than 1 year.

1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the Municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Computer Software	2 - 10
Computer Software Licenses	2 - 10

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	20 - 100

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.18. HERITAGE ASSETS

1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.18.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur

when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset,

whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics

and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.21.2.4 Non-Current Investments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-

recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.22 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.22.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised.

1.22.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount.

The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;

- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Service charges relating to electricity is based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred can be measured reliably.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.

However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to formulate an accounting policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).

-
- both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related

parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability. A Contingent asset usually arise from unplanned or other unexpected events that are not wholly within the control of the entity and give rise to the possibility of an inflow of economic benefits or service potential to the entity.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities and assets.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

which have the most significant effect on the amounts recognised in the annual financial statements:

1.29.1 Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.29.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the asset.

1.29.5 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.29.6 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

rate is linked to the prime interest rate and any movement in this rate will result in the impairment/reversal of impairment of the asset.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.33. DISCONTINUED OPERATIONS

Discontinued operation is a component of the Municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

To qualify as a discontinued operation, the disposal must occur within a single co-ordinated plan. Once the disposal plan has been approved, the Municipality reclassifies all related assets and liabilities associated with the discontinued operations as a separate line-item in the Statement of Financial Position. The Municipality subsequently measures and account for assets and liabilities associated with discontinued operations in accordance with the respective Standards of GRAP applicable to that asset or liability.

All revenue and expenditure associated with the discontinued operations is disclosed as a one line-item in the Statement of Financial Performance. Detail of the revenue and expenditure associated with the discontinued operations is disclosed in the notes.

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	COST				ACCUMULATED IMPAIRMENT				ACCUMULATED DEPRECIATION				Carrying Value			
	OPENING BALANCE		ADDITIONS		WIP	Transfers	Disposal / Write offs	Closing Balance	Opening Balance	Reversal	Closing Balance	Opening Balance		CV Depreciation	Disposals	Closing Balance
	Normal	Residuals														
Land and buildings:																
Land	33 777 166	-	-	-	-	-	-	81 500	33 695 666	-	-	-	-	-	-	33 695 666
Buildings	30 977 735	-	-	-	-	-	-	-	30 977 735	-	-	-	-	-	-	26 937 756
Work in progress	4 004 934	-	-	-	1 208 645	-	-	-	5 213 579	-	-	-	-	-	-	5 213 579
Infrastructure:																
Infrastructure - Electricity	68 739 835	-	-	-	1 208 645	-	-	81 500	69 948 380	-	-	-	3 501 000	538 979	-	69 847 001
Infrastructure - Road transport	21 665 848	3 840 470	-	-	-	-	-	25 506 318	-	-	-	11 808 737	544 012	-	12 352 749	13 133 570
Infrastructure - Drains	353 772 001	16 690 750	-	-	-	-	-	370 462 751	-	-	-	195 913 862	15 462 969	-	211 366 831	159 095 920
Infrastructure - Other	11 746 553	-	-	-	-	-	-	11 746 553	-	-	-	4 053 827	147 545	-	4 201 373	7 545 180
Work in progress	30 725 653	-	-	-	28 307 847	20 213 810	-	38 819 680	-	-	-	-	-	-	-	38 819 680
Community Assets																
Cemeteries	417 910 055	20 531 220	-	-	28 307 847	20 213 820	-	446 535 301	-	-	-	211 776 426	16 144 526	-	227 920 952	218 613 349
Community Halls	10 489 877	-	-	-	-	-	-	10 489 877	-	-	-	766 387	502 829	-	1 269 216	9 220 661
Libraries	40 586 817	-	-	-	-	-	-	40 586 817	-	-	-	2 198 571	465 850	-	2 664 421	36 417 234
Parks & gardens	499 000	-	-	-	-	-	-	499 000	-	-	-	44 900	5 081	-	49 981	449 019
Buildings - Community Other	5 167 987	1 559 808,89	-	-	-	-	-	6 727 796	-	-	-	178 071	164 374	-	342 445	6 385 351
Recreational facilities	977 593	977 665,90	-	-	-	-	-	1 955 259	-	-	-	856	19 951	-	20 807	1 994 452
Sports fields & stadia	39 842 000	-	-	-	-	-	-	39 842 000	-	-	-	-	-	-	-	30 000 000
Work in progress	36 548 819	448 295,98	-	-	2 522 327	1 559 809	-	36 997 115	9 842 000	-	9 842 000	6 392 053	1 098 116	-	7 490 169	29 506 946
	-	-	-	-	-	-	-	962 518	-	-	-	-	-	-	-	962 518
Fixed Assets																
Vehicle and other office equipment	134 112 094	2 295 771	-	-	2 522 327	1 559 809	-	138 060 383	11 347 162	-	11 347 162	9 580 386	2 256 202	-	11 837 038	114 876 183
	812 128	1 205 956	-	-	-	-	812 128	1 205 956	-	-	-	408 063	470 145	812 128	66 080	1 139 876
Other Assets																
Computers - hardware/equipment	812 128	1 205 956	-	-	-	-	812 128	1 205 956	-	-	-	408 063	470 145	812 128	66 080	1 139 876
Vehicle and other office equipment	2 548 187	324 608	-	-	-	-	124 970	2 747 825	-	-	-	797 411	463 689	59 966	1 200 139	1 547 691
General vehicles	7 215 516	424 896	-	-	-	-	43 375	7 598 137	-	-	-	1 896 852	746 237	22 327	2 622 762	4 975 375
Trucks	20 995 986	1 606 593	-	-	-	-	900 495	21 101 484	-	-	-	3 123 412	1 205 699	199 606	4 729 515	16 371 968
Plant & equipment	2 555 414	-	-	-	-	-	-	2 556 414	-	-	-	242 075	67 633	-	309 707	2 246 706
Other	1 158 313	174 190	-	-	-	-	-	1 158 313	-	-	-	73 701	187 110	-	459 256	699 057
	184 000	-	-	-	-	-	-	358 190	-	-	-	-	13 786	-	87 487	270 703
	34 053 816	2 530 387	-	-	-	-	1 053 540	35 520 363	-	-	-	7 005 607	2 685 154	281 859	9 408 851	26 111 502
TOTAL ASSET REGISTER	655 652 927	27 253 334	-	-	32 038 819	21 773 629	1 962 468	691 208 982	11 347 162	-	11 347 162	232 271 931	22 095 006	1 094 027	253 272 309	428 588 911

EMALAHLENI MUNICIPALITY

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2017

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. PROPERTY, PLANT AND EQUIPMENT (CONT.)**2.1 Damaged Property due to Public Riots**

The Mike Huna Community Hall situated in Dordrecht with a carry value of R1 635 278 at 30 June 2018 was damaged in June 2018 as result of public riots. Management has assessed the damage incurred and considered the fact that the damage will be reimbursed by the insurance company. Management concluded that there is no need to impair the asset as physical damages to asset will be fully recoverable and thus the asset will reach its estimated useful life. Management will use the reimbursement to repair the asset to restore it to the original condition and will not treat it as an addition.

	2018 R	2017 R
2.2 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	38 819 680	30 725 654
Roads	21 795 565	18 593 475
Electricity	7 474 417	2 582 481
Solid Waste	9 549 698	9 549 698
Community Assets	-	-
Other Assets	-	4 004 934
Total Property, Plant and Equipment under construction	38 819 680	34 730 588
2.3 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
Infrastructure Assets	7 474 417	-
Electricity	7 474 417	-
Community Assets	-	4 191 490
Total	7 474 417	4 191 490
<i>Due to unforeseen and unplanned events of public protests and unsatisfactory performance by the contractor the WIP projects took longer than anticipated. The contract with the contractor has since been terminated</i>		
2.4 Property, Plant and Equipment where construction or development has been halted:		
Infrastructure Assets	13 298 134	13 298 134
Roads	3 748 436	3 748 436
Solid Waste	9 549 698	9 549 698
Total	13 298 134	13 298 134

The Ladyfrere Landfill site has been put on hold indefinitely due to community protests against the development of the site. The land identified forms part of a land claim. Emalahleni Municipality will not proceed with development until a new area has been identified and agreed upon by the community.

The project was incomplete because the service provider appointed to supply and deliver material did not complete the delivery of materials required. The project was then taken over by the municipality as an in house project. The estimated outstanding material cost and labour according to initial quantities is R 1 160 840. The remaining work is estimated to be completed by 29 February 2019 using in-house construction team.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Employee related costs		
Other materials	1 197 161	1 124 531
Contracted Services	1 069 228	1 239 789
Other Expenditure	1 816 579	2 014 222
Total Repairs and Maintenance	18 981	10 845
	4 101 949	4 389 387

2.6 Assets pledged as security:

No assets pledged as security.

Leased Property, Plant and Equipment of R 1 139 876 is secured for leases as set out in Note 11.

	2018 R	2017 R
2.7 Contractual commitments for acquisition of Property, Plant and Equipment:		
Approved and contracted for:		
Infrastructure	29 148 582	15 282 550
Community	-	15 282 550
Previously reported	41 524	-
Correction of error	-	13 924 795
Other	-	(13 924 795)
Total	29 107 058	-
	29 148 582	15 282 550
This expenditure will be financed from:		
Government Grants		
Total	29 148 582	15 282 550
	29 148 582	15 282 550

In 2017, Operational commitments amounting to R13 924 795 were incorrectly classified as Capital Commitments - Community assets. These commitments have been removed in the current year as they do not relate to the acquisition of Property, plant and equipment and do not require disclosure in the financial statements in terms of GRAP 17.86(b).

	2018 R	2017 R
3. INVESTMENT PROPERTY		
Net Carrying amount at 1 July	4 154 287	4 162 287
Cost		
Buildings	4 226 300	4 226 300
Land	695 572	695 572
Accumulated Depreciation	3 530 728	3 530 728
Accumulated Impairment Loss	(72 013)	(64 013)
Depreciation for the year	(2 400)	(7 999)
Net Carrying amount at 30 June	4 151 887	4 154 287
Cost		
Buildings	4 226 300	4 226 300
Land	695 572	695 572
Accumulated Depreciation	3 530 728	3 530 728
Accumulated Impairment Loss	(74 413)	(72 013)
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Revenue from Investment Property		
Revenue derived from the rental of Investment Property	5 734	4 266

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

4. INTANGIBLE ASSETS	2018 R	2017 R
Net Carrying amount at 1 July		
Cost	308 838	130 766
Accumulated Amortisation	1 005 781	801 474
Accumulated Impairment Loss	(696 943)	(670 708)
	-	-
Acquisitions	202 050	282 540
Amortisation	(54 926)	(26 235)
Net Carrying amount at 30 June	455 962	308 838
Cost	1 207 831	1 005 781
Accumulated Amortisation	(751 869)	(696 943)
Accumulated Impairment Loss	-	-

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There age no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

5. HERITAGE ASSETS	2018 R	2017 R
Net Carrying amount at 30 June	182 536	182 536
Cost	182 536	182 536
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

There are no heritage assets which is in the process of being constructed or developed.

There was no expenditure incurred to repair and maintain heritage assets during the year.

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS	2018 R	2017 R
Electricity	2 620 242	1 677 745
Property Rentals	2 678 198	2 225 656
Waste Management	40 303 030	40 262 104
Chris Hani Debtor	1 140 309	3 776 090
Total: Receivables from exchange transactions (before provision)	46 741 780	47 941 595
Less: Provision for Debt Impairment	(42 727 516)	(42 258 195)
Total: Receivables from exchange transactions (after provision)	4 014 264	5 683 400

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	431 184	301 555
31 - 60 Days	230 292	154 735
61 - 90 Days	89 858	118 927
+ 90 Days	1 868 908	1 102 528
Total	2 620 242	1 677 745
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	59 475	61 777
31 - 60 Days	55 966	53 182
61 - 90 Days	55 871	52 506
+ 90 Days	2 506 886	2 058 191
Total	2 678 198	2 225 656
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	556 716	526 288
31 - 60 Days	538 175	500 365
61 - 90 Days	537 002	486 519
+ 90 Days	38 671 138	38 748 932
Total	40 303 030	40 262 104
<u>Chris Hani Debtor: Ageing</u>		
+ 90 Days	1 140 309	3 776 090
Total	1 140 309	3 776 090
<u>(Total): Ageing</u>		
Current (0 - 30 days)	1 047 375	889 619
31 - 60 Days	824 433	708 283
61 - 90 Days	682 731	657 952
+ 90 Days	44 187 241	45 685 741
Total	46 741 780	47 941 595
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	42 258 195	41 888 150
Contribution to provision	5 669 746	4 755 624
Write offs	(5 200 425)	(4 385 579)
Balance at end of year	42 727 516	42 258 195
	2018 R	2017 R
The total amount of this provision is R42 727 516 (2017: R42 258 195) and consist of:		
Services	40 684 875	40 386 621
Other Debtors	2 042 641	1 871 574
Total Provision for Debt Impairment on Receivables from exchange transactions	42 727 516	42 258 195
	2018 R	2017 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	824 433	708 283
2+ months past due	2 142 456	4 085 498
	2 966 888	4 793 780

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2018 R	2017 R
7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	19,420,209	15,458,293
Eskom	3,357,740	14,512,761
Other Receivables	8,634	(51,068)
	<u>22,786,583</u>	<u>29,919,986</u>
Less: Provision for Debt Impairment	<u>(16,876,078)</u>	<u>(13,750,525)</u>
Total Receivables from non-exchange transactions	<u>5,910,505</u>	<u>16,169,462</u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	185,990	124,008
31 - 60 Days	396,910	318,439
61 - 90 Days	369,655	285,053
+ 90 Days	18,467,655	14,730,793
Total	<u>19,420,209</u>	<u>15,458,293</u>

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	13,750,525	11,257,775
Contribution to provision	3,186,073	2,492,750
Write offs	(60,519)	-
Reversal of provision	-	-
Balance at end of year	<u>16,876,078</u>	<u>13,750,525</u>

The total amount of this provision is R 16 876 078 (2017: R13 750 525) and consist of:

Taxes	16,876,078	13,750,525
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	<u>16,876,078</u>	<u>13,750,525</u>

Ageing of amounts past due but not impaired:

1 month past due	185,990	124,008
2+ months past due	2,172,151	1,459,752
	<u>2,358,141</u>	<u>1,583,760</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
8. OPERATING LEASE ARRANGEMENTS		
8.1 The Municipality as Lessor (Asset)		
Operating Lease Asset	68,449	78,480
Reconciliation		
Balance at the beginning of the year	78,480	82,746
Movement during the year	(10,031)	(4,266)
Balance at the end of the year	68,449	78,480
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	110,327	114,566
1 to 5 Years	207,761	318,088
Total Operating Lease Arrangements	318,088	432,655

This operating lease income determined from contracts that have a specific condition income and does not include leases which has a undetermined conditional income.

	2018 R	2017 R
9. TAXES		
9.1 VAT Payable	(2,826,652)	(3,145,747)
Less: Contribution to Provision for Doubtful Debt Impairment	1,423,358	1,337,006
Total VAT Payable	(1,403,294)	(1,808,741)
9.2 VAT Receivable	7,708,129	11,488,791
Less: Provision for Impairment	(4,284,143)	-
Total VAT Receivable	3,423,986	11,488,791
9.3 Net VAT (Payable)/Receivable	2,020,692	9,680,050

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

An amount of R4 284 143 was impaired during 2018 which relates to VAT transactions preceeding 2013, which, in accordance with Section 16(3) and Section 55 of the VAT Act of 1991 are not considered recoverable as the 5 year period has prescribed. Management is of the opinion that an impairment loss in this regard is appropriate as the balance has prescribed and will not be recovered.

Reconciliation of Provision for Impairment

Balance at beginning of year	-	-
Contribution to provision	4,284,143	-
Balance at end of year	4,284,143	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

All accounts are cleared daily to Primary Bank Account; current account 082-665-958.

Call Deposits and Investments

Investec Account Number/s: 451/465258
 First National Bank Account Number/s: 74366334164
 First National Bank Account Number/s: 74761667110
 Standard Bank Account Number/s: 08 879 9697 - 012
 Standard Bank Account Number/s: 08 879 9697 - 001
 ABSA Account Number/s 207951763
 ABSA Account Number/s 93-25201449
 Standard Bank Account Number/s: 08 879 9697 - 020

2018 R	2017 R
1 334 888	9 624 529
240 743	48 113
13 392	-
10 879	10 573
202 057	202 057
387 299	361 984
131 218	907
282 241	11 892
2 602 716	10 260 055

Details of current accounts are as follow:

Standard Bank - Current Account - 082-665-958

Cash book balance at beginning of year
 Cash book balance at end of year

Bank statement balance at beginning of year
 Bank statement balance at end of year

2018 R	2017 R
161 976	78 399
2 115 668	161 976
161 976	78 399
2 115 668	161 976

Standard Bank - Current Account - 082-630-631

Cash book balance at beginning of year
 Cash book balance at end of year

Bank statement balance at beginning of year
 Bank statement balance at end of year

2018 R	2017 R
2 386 023	25 063
977 032	2 386 023
2 386 023	148 508
977 032	2 386 023

First National Bank - Current Account - 620-4898-6428

Cash book balance at beginning of year
 Cash book balance at end of year

Bank statement balance at beginning of year
 Bank statement balance at end of year

2018 R	2017 R
325 642	2 148 408
170 528	325 642
325 642	2 148 408
170 528	325 642

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
11. LONG TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	1 147 989	295 485
	<u>1 147 989</u>	<u>295 485</u>
Less: Current Portion transferred to Current Liabilities	(368 752)	(295 485)
Capitalised Lease Liability - At amortised cost	<u>(368 752)</u>	<u>(295 485)</u>
Total Long-term Borrowings - At amortised cost using the effective interest rate method	<u><u>779 237</u></u>	<u><u>-</u></u>
The obligations under finance leases are scheduled below:		
	Minimum payments	
Amounts payable under finance leases:		
Payable within one year	466 954	320 076
Payable within two to five years	856 082	-
	<u>1 323 035</u>	<u>320 076</u>
Less: Future finance obligations	(175 046)	(24 591)
Present value of finance lease obligations	<u><u>1 147 989</u></u>	<u><u>295 485</u></u>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Xerox C405	4 x copiers	6,25%	0%	3 Years	30/04/2021
Xerox C7020/5	4 x copiers	3,17%	0%	3 Years	30/04/2021
Xerox WC7225	2 x copiers	6,25%	0%	3 Years	30/04/2021
Xerox C8070	4 x copiers	5,02%	0%	3 Years	30/04/2021
Xerox D95	1 copier	5,02%	0%	3 Years	30/04/2021

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

	2018 R	2017 R
12. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	1 826 946	-
Total Non-current Provisions	<u><u>1 826 946</u></u>	<u><u>-</u></u>
	2018 R	2017 R
12.1 Landfill Sites		

The Municipality operate on three landfill sites. The in year actual operational costs is expensed in the statement of financial performance. The provision is calculated in order to finance the rehabilitation cost of each cell when it reaches 100% capacity. The expected cash flow outflow, within one year, relates to all three sites of the case of all three sites there is already a shortcoming in the day to day operations of the sites these cost is represented by the short-term portion of the non-current provision. The landfill sites in operation are Lady Frere; Dordrecht and Indwe.

Balance 1 July	11 210 331	10 525 917
Unwinding of discounted interest	996 833	684 414
Total provision 30 June	<u><u>12 207 164</u></u>	<u><u>11 210 331</u></u>
Less: Transfer of Current Portion to Current Provisions - Note 14	(10 380 218)	(11 210 331)
Balance 30 June	<u><u>1 826 946</u></u>	<u><u>-</u></u>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Dordrecht	Indwe	Lady Frere
Area (m²)	10 287	1 005	6 698
Cost of fence (Rand)	953 711	9 367	9 367
Site Clearance (R40/m²)	30 347	2 965	19 759
Storm Water Control Measure	859 158	223 889	618 537
Capping	1 866 727	186 001	1 648 181
Gas Management	-	-	14 786
Leachate Management	292 013	95 949	212 069
Other costs	446 217	793 676	446 217
Contingencies	456 223	59 071	287 588
Preliminary and general (Rand)	560 274	72 544	353 178
Engineering	376 384	48 734	237 260
Site Supervision	356 802	334 752	335 421

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	2018 R	2017 R
Lady Frere landfill site is located approximately 2.0km west off Indwe road R 394	30/06/2018	4 182 363	3 839 437
Dordrecht landfill site is located off R56 about 900m after the Dordrecht town to Queenstown Route	11/09/2016	6 197 855	5 601 824
Indwe landfill site is located east off R56 approximately 260m before the town of Indwe	31/12/2021	1 826 946	1 769 070
		12 207 164	11 210 331

13. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits
Provision for Long Service Awards

Total Non-current Employee Benefits

2018 R	2017 R
5 685 220	5 171 047
1 970 992	1 706 579
7 656 212	6 877 627

Post Retirement Health Care Benefits

Balance 1 July
Contribution for the year
Interest Cost
Expenditure for the year
Actuarial Loss/(Gain)

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 15

Balance 30 June

2018 R	2017 R
5 224 110	5 203 204
633 797	716 360
518 530	476 574
(70 872)	(63 407)
(564 255)	(1 108 621)
5 741 310	5 224 110
(56 090)	(53 063)
5 685 220	5 171 047

Provision for Ex-Gratia payment- CFO

Balance 1 July
Transfer to revenue

Balance 30 June

-	172 014
-	(172 014)
-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>Long Service Awards</u>		
Balance 1 July		
Contribution for the year	1 846 855	1 605 773
Interest Cost	434 627	381 946
Expenditure for the year	148 329	125 638
Actuarial Loss/(Gain)	(49 263)	(96 574)
Total provision 30 June	(44 953)	(169 927)
Less: Transfer of Current Portion to Current Provisions - Note 15	2 335 595	1 846 855
Balance 30 June	(364 603)	(140 276)
	1 970 992	1 706 579
13.1 Provision for Post Retirement Health Care Benefits		
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	92	87
In-service (employee) non-members	130	125
Continuation members (e.g. Retirees, widows, orphans)	2	2
Total Members	224	214
The liability in respect of past service has been estimated to be as follows:		
In-service members	3 743 586	3 277 195
In-service non-members	1 210 493	1 136 202
Continuation members	787 231	810 712
Total Liability	5 741 310	5 224 109
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2016 R
In-service members		4 533 826
In-service non-members		686 646
Continuation members		-
Total Liability		5 220 472
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas;		
Hosmed		
LA Health		
Samwumed		
Key health		

The Current-service Cost for the ensuing year is estimated to be R666 687, whereas the Interest Cost for the next year is estimated to be R559 393.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Key actuarial assumptions used:

2018
%2017
%

i) Rate of interest

Discount rate

9,79%

9,98%

Health Care Cost Inflation Rate

7,51%

8,24%

Net Effective Discount Rate

2,12%

1,61%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60 for females and 65 for males, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Expected rate of salary increases

2017/2018 - Average CPI (Feb 2016 – Jan 2017) + 1 per cent

The three-year Salary and Wage Collective Agreement ends on 30 June 2018.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

Fair value of plan assets

2018
R2017
R

5 741 310

5 224 109

-

-

5 741 310

5 224 109

Unrecognised past service cost

Unrecognised actuarial gains/(losses)

Present Value of unfunded obligations

-

-

-

-

Net liability/(asset)

5 741 310

5 224 109

2018
R2017
R

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year

Total expenses

5 224 110

5 203 204

1 081 455

1 129 527

Current service cost

Interest Cost

Benefits Paid

633 797

716 360

518 530

476 574

(70 872)

(63 407)

Actuarial (gains)/losses

(564 255)

(1 108 621)

Present value of fund obligation at the end of the year

5 741 310

5 224 110

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	4,954	0,787	5,741

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	6,023	0,866	6,889	20,00%
Health care inflation	-1%	4,113	0,718	4,831	-16,00%
Discount Rate	1%	4,135	0,720	4,855	-15,00%
Discount Rate	-1%	6,009	0,865	6,874	20,00%
Post-retirement mortality	-1 year	5,113	0,815	5,927	3,00%
Average retirement age	-1 year	5,456	0,787	6,243	9,00%
Continuation of membership at retirement	-10%	3,955	0,787	4,743	-17,00%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	666 700	559 400	1 226 100

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1%	835 700	671 700	1 507 400	23,00%
Health care inflation	-1%	536 900	470 300	1 007 200	-18,00%
Discount Rate	1%	545 200	521 000	1 066 200	-13,00%
Discount Rate	-1%	825 800	601 800	1 427 600	16,00%
Post-retirement mortality	-1 year	687 800	577 600	1 265 400	3,00%
Average retirement age	-1 year	730 200	608 500	1 338 700	9,00%
Continuation of membership at retirement	-10%	530 100	461 600	991 700	-19,00%

Experience adjustments were calculated as follows:

	2018 Rm	2017 Rm
Liabilities: (Gain) / loss	0,024	(0,232)
Assets: Gain / (loss)		-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	5 203 000	4 346 117	5 220 000
Assets: Gain / (loss)			

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 222 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R500 956 whereas the Interest Cost for the next year is estimated to be R180 753.

Key actuarial assumptions used:

i) Rate of interest

	2018 %	2017 %
Discount rate	8,38%	8,34%
General Salary Inflation (long-term)	6,02%	6,16%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,23%	2,05%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations
Fair value of plan assets

Unrecognised past service cost
Unrecognised actuarial gains/(losses)
Present value of unfunded obligations
Net liability/(asset)

	2018 R	2017 R
	2 335 596	1 846 855
	-	-
	2 335 596	1 846 855
	-	-
	-	-
	2 335 596	1 846 855

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year
Total expenses

Current service cost
Interest Cost
Benefits Paid

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

	2018 R	2017 R
	1 846 856	1 605 773
	533 693	411 010
	434 627	381 946
	148 329	125 638
	(49 263)	(96 574)
	(44 953)	(169 927)
	2 335 596	1 846 856

Sensitivity Analysis on the Accrued Liability on 30 June 2018

Assumption	Change	Liability (Rm)	% change
Central assumptions		2,336	
General salary inflation	1,00%	2,461	
General salary inflation	-1,00%	2,220	5,00%
Discount Rate	1,00%	2,216	-5,00%
Discount Rate	-1,00%	2,469	6,00%
Average retirement age	-2 yrs	2,209	-5,00%
Average retirement age	+2 yrs	2,402	3,00%
Withdrawal rates	-50,00%	2,812	20,00%

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	501 000	180 800	681 800

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
General salary inflation	1,00%	535 100	191 300	726 400	7%
General salary inflation	-1,00%	470 100	171 100	641 200	-6%
Discount Rate	1,00%	473 200	191 100	664 300	-3%
Discount Rate	-1,00%	532 000	169 000	701 000	3%
Average retirement age	-2 yrs	475 400	170 400	645 800	-5%
Average retirement age	+2 yrs	515 000	186 200	701 200	3%
Withdrawal rates	-50%	655 400	220 700	876 100	28%
				2018 Rm	2017 Rm

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	67 097	(70 165)
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	1 605 773	1 402 424	1 453 534
Assets: Gain / (loss)	-	-	-

13.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,6% (30 June 2015 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance

	2018 R	2017 R
	5 439 889	4 704 055

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

DEFINED CONTRIBUTION FUNDS

Council contribute to the South African Local Authorities Pension Fund, Municipal Councillors Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

	2018 R	2017 R
Sala Pension Fund	367 416	417 187
Municipal Councillors Pension Fund	139 567	1 213 042
SAMWU National Provident Fund	888 225	870 397
	<u>1 395 207</u>	<u>2 500 626</u>

	2018 R	2017 R
14. PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites - Note 12	10 380 218	11 210 331
Total Provisions	<u>10 380 218</u>	<u>11 210 331</u>
15. CURRENT EMPLOYEE BENEFITS		
Provision for Performance Bonuses		
Staff Bonuses accrued	1 186 689	1 078 808
Staff leave accrued	1 716 689	1 429 596
Compensation for Injuries On Duty	6 259 778	5 974 778
Current Portion of Non-Current Provisions	397 933	355 653
	420 693	193 339
Current Portion of Post Retirement Benefits - Note 13	56 090	53 063
Current Portion of Long-Service Provisions - Note 13	364 603	140 276
Total Current employee benefits	<u>9 981 781</u>	<u>9 032 175</u>
The movement in current employee benefits are reconciled as follows:		
15.1 <u>Performance Bonuses</u>		
Balance at beginning of year	1 078 808	980 735
Contribution to current portion	1 186 690	1 078 808
Expenditure incurred	(1 078 808)	(980 735)
Balance at end of year	<u>1 186 690</u>	<u>1 078 808</u>
Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is a possibility of reimbursement based on trends in the past.		
15.2 <u>Staff Bonuses</u>		
Balance at beginning of year	1 429 595	1 160 793
Contribution to current portion	3 374 914	2 944 805
Expenditure incurred	(3 087 821)	(2 676 003)
Balance at end of year	<u>1 716 688</u>	<u>1 429 595</u>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is a possibility of reimbursement based on trends in the past.		
15.3 <u>Staff Leave</u>		
Balance at beginning of year	5 974 778	4 772 464
Contribution to current portion	1 166 898	2 321 669
Expenditure incurred	(881 898)	(1 119 355)
Balance at end of year	<u>6 259 778</u>	<u>5 974 778</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is a possibility of reimbursement based on trends in the past.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

15.4	<u>Compensation for Injuries On Duty</u>	2018 R	2017 R
	Balance at beginning of year		
	Contribution to current portion	355 652	354 609
	Expenditure incurred	434 835	370 522
		(392 554)	(369 479)
	Balance at end of year	<u>397 933</u>	<u>355 652</u>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

16.	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2018 R	2017 R
	Trade Payables		
	Third party payables (Payroll)	3 685 149	14 122 334
	Pre- paid electricity paid in advance	30 028	1 343 359
	Advance payments debtors-billing	183 716	175 442
	Sundry Deposits	505 106	504 285
	Sundry Creditors	46 009	35 520
	Retentions and Guarantees	68 526	56 206
		5 341 629	3 803 872
	Total Trade Payables	<u>9 860 161</u>	<u>20 040 999</u>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

17.	UNSPENT CONDITIONAL GRANTS AND RECEIPTS	2018 R	2017 R
	Unspent Grants and receipts		
	National Government Grants	-	800 500
	District Municipality	-	-
		-	800 500
	<u>Less:</u> Unpaid Grants and receipts		
	Provincial Government Grants	-	(1 691 866)
	District Municipality	-	(1 205 102)
		-	(486 764)
	Total Unspent Transfers and Subsidies	<u>-</u>	<u>(891 366)</u>

See appendix "E" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

18. PROPERTY RATES

Actual

Rateable Land and Buildings

Residential, Commercial Property, State
Agricultural Property

Total Property Rates

2018
R2017
R

5 211 974

4 146 296

4 319 329

3 281 889

892 645

864 408

5 211 974

4 146 296

Valuations - 1 July 2017

Rateable Land and Buildings

Residential
Agricultural
Government
Business & Commercial
Municipal
Exempt Properties

Total Assessment Rates

2018
R2017
R

1 120 527 404

1 068 610 404

301 403 201

249 053 000

542 663 400

515 769 900

119 269 300

68 777 900

126 135 302

131 085 403

14 921 700

88 171 800

16 134 501

15 752 401

1 120 527 404

1 068 610 404

Basic Rate

Residential
Undeveloped land/Vacant land
Business
Government
Agriculture/Farms
Public Service Infrastructure
Public Benefit Organisation

0,00923

0,00869

0,00923

0,00869

0,01385

0,01304

0,01385

0,01304

0,00231

0,00217

0,00231

0,00217

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

19. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional

Equitable Share

2018
R2017
R

115 992 000

114 599 000

115 992 000

114 599 000

Conditional

Local Government Financial Management Grant (FMG)
Municipal Infrastructure Grant (MIG)
Integrated National Electrification Grant (INEP)
Library Grant
Other Grants

39 427 736

43 646 205

2 345 000

2 010 000

34 061 000

24 758 000

-

9 317 000

900 000

-

2 121 736

7 561 205

Total Government Grants and Subsidies

155 419 736

158 245 205

2018
R2017
R

Government Grants and Subsidies - Operating
Government Grants and Subsidies - Capital

121 753 786

132 075 106

33 665 950

26 170 100

Total Government Grants and Subsidies

155 419 736

158 245 206

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

2018
R2017
R

Equitable share

115 992 000

114 599 000

Executive & Council
Budget and Treasury Office
Planning and Development
Community & Social Services
Waste Management
Road Transport
Electricity

-

332 000

2 345 000

2 010 000

800 500

-

900 000

4 127 441

-

200 000

35 382 236

27 659 764

-

9 317 000

Total Government Grants and Subsidies

155 419 736

158 245 205

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

19.1 Equitable Share2018
R2017
R

Grants received
Conditions met - Operating
Conditions still to be met

115 992 000

114 599 000

(115 992 000)

(114 599 000)

-

-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

19.2 Local Government Financial Management Grant (FMG)2018
R2017
R

Grants received
Conditions met - Operating
Conditions still to be met

2 345 000

2 010 000

(2 345 000)

(2 010 000)

-

-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
19.3 <u>Municipal Infrastructure Grant (MIG)</u>		
Grants received	34 061 000	24 758 000
Conditions met - Operating	(1 703 050)	(1 587 900)
Conditions met - Capital	(32 357 950)	(23 170 100)
Conditions still to be met	-	-
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
19.4 <u>Integrated National Electrification Grant</u>		
Grants received	-	9 317 000
Conditions met - Operating	-	(9 317 000)
Conditions still to be met	-	-
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
19.5 <u>Extended Public Works Program (EPWP)</u>		
Grants received	1 308 000	1 415 000
Conditions met - Operating	-	(1 415 000)
Conditions met - Capital	(1 308 000)	-
Conditions still to be met	-	-
The grant is used for job creation projects in previous disadvantage areas.		
19.6 <u>Library Grant</u>		
Opening balance	-	227 442
Grants received	900 000	900 000
Conditions met - Operating	(900 000)	(1 127 442)
Conditions still to be met	-	-
The grant is used to transform urban and rural community library infrastructure, facilities and services.		
19.7 <u>Other grants</u>		
Opening balance	(891 366)	930 000
Grants received	1 705 102	4 127 398
Grants transferred	-	(930 000)
Conditions met - Operating	(813 736)	(2 018 764)
Conditions met - Capital	-	(3 000 000)
Conditions still to be met	0	(891 366)
Give brief description of the grant		
19.8 <u>Total Grants</u>		
Opening balance	(891 366)	1 157 442
Grants received	156 311 102	157 126 398
Grants transferred	-	(930 000)
Conditions met - Operating	(121 753 786)	(132 075 106)
Conditions met - Capital	(33 665 950)	(26 170 100)
Conditions still to be met/(Grant expenditure to be recovered)	0	(891 366)
	2018 R	2017 R
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	-	800 500
Unpaid Conditional Government Grants and Receipts	-	(1 691 866)
Total	-	(891 366)

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

20.	SERVICE CHARGES	2018	2017
		R	R
	Electricity		
	Service Charges	10 113 373	11 022 548
		10 113 373	11 022 548
	Waste Management		
	Service Charges	3 483 131	3 776 139
	<u>Less:</u> Revenue Forgone	5 508 022 (2 024 892)	5 609 738 (1 833 600)
	Waste Water Management		
	Service Charges	-	401
	Total Service Charges	-	401
		13 596 504	14 799 087
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.			
21.	INTEREST EARNED - EXTERNAL INVESTMENTS	2018	2017
		R	R
	Bank		
	Financial assets	21 073	43 544
	Total Interest Earned - External Investments	1 161 547	2 269 107
		1 182 620	2 312 651
22.	INTEREST EARNED - OUTSTANDING RECEIVABLES	2018	2017
		R	R
	Property Rates		
	Refuse	1 494 171	1 345 990
	Electricity	2 962 044	2 988 631
	Rent	200 945	203 809
	Total Interest Earned - Outstanding Receivables	196 805	170 343
		4 853 965	4 708 774
23.	OTHER INCOME	2018	2017
		R	R
	Administration charges		
	Building plans	-	-
	Branding of Livestock	77 487	15 526
	Cemetery Fees	4 496	1 921
	Connection Fees	34 984	38 064
	Insurance Income	70 940	53 796
	LGSETA	523 944	138 571
	Pound Fees	-	97 590
	Housing Admin Fees	47 002	7 691
	Sundry Income	-	13 500
	Total Operational Revenue	70 955	420 099
		829 809	786 757

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

24.	EMPLOYEE RELATED COSTS	2018 R	2017 R
	Salaries and Wages		
	Annual bonus	51 489 741	45 416 093
	Contributions for UIF, pensions and medical aids	3 374 914	2 944 805
	Housing Subsidy	9 873 433	8 295 585
	Leave Reserve Fund	161 797	83 652
	Long service awards	1 166 898	2 321 669
	Post Employment Health	434 627	381 946
	Scarce Skills Allowance	633 797	716 360
	Performance bonus	-	7 569
	Skills development levy	1 186 690	1 078 808
	Travel, motor car, telephone, assistance and other allowances	544 607	491 149
	Workmen's Compensation	3 887 712	3 226 653
	Overtime	434 835	370 524
		966 238	840 378
	Total Employee Related Costs	74 155 289	66 175 192
	KEY MANAGEMENT PERSONNEL		
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager (MM Dr VS Vatala)</i>		
	Annual Remuneration	1 771 561	1 610 510
	Leave encashment	-	148 167
	Telephone, assistance and other allowances	34 848	31 680
	Contributions to UIF, SDL, Bargaining council	1 785	18 464
	Performance Bonus	225 471	204 974
	Total	2 033 665	2 013 795
	<i>Remuneration of the Manager Corporate Services (Manager Corporate Services - P Sohe)</i>		
	Annual Remuneration	1 329 305	1 208 458
	Leave encashment	254 306	38 671
	Acting Allowance	-	33 504
	Telephone, assistance and other allowances	29 964	27 240
	Contributions to UIF, SDL, Bargaining council	1 785	12 614
	Performance Bonus	169 184	153 804
	Total	1 784 544	1 474 291
	<i>Remuneration of the Chief Financial Officer (GP de Jager)</i>		
	Annual Remuneration	1 387 576	1 261 433
	Leave encashment	26 641	170 546
	Telephone, assistance and other allowances	29 964	27 240
	Contributions to UIF, SDL, Bargaining council	1 785	14 307
	Performance Bonus	176 601	160 546
	Total	1 622 566	1 634 071
	<i>Remuneration of the Manager IPED Services (N Mntuydwa)</i>		
	Annual Remuneration	1 329 305	1 208 459
	Telephone, assistance and other allowances	29 964	27 240
	Leave encashment	102 664	38 671
	Acting allowance	-	9 138
	Contributions to UIF, SDL, Bargaining council	1 785	12 447
	Performance Bonus	169 184	153 804
	Total	1 632 902	1 449 758
	<i>Remuneration of the Director Infrastructure and Human Settlements (D Njilo)</i>		
	Annual Remuneration	1 329 305	1 208 459
	Leave encashment	-	198 187
	Telephone, assistance and other allowances	29 964	27 240
	Contributions to UIF, SDL, Bargaining council	1 785	15 216
	Performance Bonus	169 184	153 804
	Total	1 530 238	1 602 905

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of the Director Community Services (N Nyezi)		
Annual Remuneration	1 329 305	1 208 099
Telephone, assistance and other allowances	37 129	27 240
Leave encashment	25 666	135 347
Contributions to UIF, SDL, Bargaining council	1 785	14 436
Performance Bonus	169 184	153 804
Acting allowance	22 113	-
Total	1 585 182	1 538 926

25. REMUNERATION OF COUNCILLORS	2018 R	2017 R
Executive Mayor - N Nyukwana	836 713	768 799
Speaker - Kalolo DS	677 531	616 790
Executive Committee Member - Lali N- Chief Whip	637 736	569 762
Executive Committees - Cllrs S Liwani (full time exco)	637 736	582 155
Executive Committees - T Kulashe (Ndyumbo) (full time exco)	637 736	583 882
Executive Committees - Limba M (full time exco)	637 736	520 291
Executive Committees - K Nkasela (Ex-part time exco member)	-	36 242
Executive Committees - K Nkasela (Ex-part time exco member)	-	303 378
Other Councillors - L Mooi (Ex-Sec 79 chair person)	-	35 307
Other Councillors - Mapete L (Sec 79 chair person)	364 042	320 327
Ordinary Councillor- Dikilili N [Part-time Councillor]	-	28 055
Ordinary Councillor- Dyonase Z [Part-time Councillor]	-	28 055
Ordinary Councillor- Ziduli NM [Part-time Councillor]	292 677	261 020
Ordinary Councillor- Jordaan VB [Part-time Councillor]	-	28 055
Ordinary Councillor- Godla MM [Part-time Councillor]	-	28 055
Ordinary Councillor- Mnyuko ST [Part-time Councillor]	-	28 055
Ordinary Councillor- Nobaza P [Part-time Councillor]	-	27 838
Ordinary Councillor- Bobotyane CH [Part-time Councillor]	292 677	261 020
Ordinary Councillor- Peter N [Part-time Councillor]	-	28 055
Ordinary Councillor- Koni NF [Part-time Councillor]	219 508	261 020
Ordinary Councillor- Teka ZH [Part-time Councillor]	-	28 055
Ordinary Councillor- Dudumashe TR [Part-time Councillor]	-	28 055
Ordinary Councillor- Komani B [Part-time Councillor]	-	28 055
Ordinary Councillor- Qhashani N [Part-time Councillor]	-	28 055
Ordinary Councillor- Ndlela TM [Part-time Councillor]	292 677	261 020
Ordinary Councillor- Holana NB [Part-time Councillor]	-	28 055
Ordinary Councillor- Kwatshana TW [Part-time Councillor]	-	28 055
Ordinary Councillor- Mjezu K [Part-time Councillor]	292 677	261 020
Ordinary Councillor- Kraqa NN [Part-time Councillor]	292 677	260 420
Ordinary Councillor-Mketsu ZW [Part-time Councillor]	-	28 055
Ordinary Councillor-Greyling PF [Part-time Councillor]	292 677	261 020
Ordinary Councillor-Papiso ZZ [Part-time Councillor]	-	28 055
Ordinary Councillor-Sixishe TD [Part-time Councillor]	292 677	261 020
Ordinary Councillor- Boklan SN [Part-time Councillor]	-	28 055
Ordinary Councillor- Zama SE [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Fatyela LA [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Bongo S [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Feni RZ [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Moshane ZG [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Mondile TF [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Mahola ZD [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Qomoyi MS [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Makatesi M [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Mrwebi TJ [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Mthandeki FM [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Tyulu NM [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Kama N [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Oyiya MP [Part-time Councillor]	348 302	232 965
Ordinary Councillor- Paul LN [Part-time Councillor]	292 677	237 269
Ordinary Councillor- Njadu XH [Part-time Councillor]	292 677	232 965
Ordinary Councillor- Nqono N [Part-time Councillor]	292 677	232 965
Executive Committees - N Mtyobile (Part time exco member)	373 818	-
Other Councillors - B Twala (Part time - Sec 79 chair person)	364 042	-
Ordinary Councillor- Nqono N [Part-time Councillor]	-	296 556
Other payments	-	50 536
Total Councillors' Remuneration	12 466 471	11 184 958

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Cell phone Allowance	Contributions	Total
Mayor	795 913	-	40 800	-	836 713
Speaker	636 731	-	40 800	-	677 531
Executive Committee Members	3 028 264	-	244 800	-	3 273 064
Councillors	6 628 563	-	1 050 600	-	7 679 163
Total Councillors' Remuneration	11 089 471	-	1 377 000	-	12 466 471

In-kind Benefits

The Mayor, Speaker, and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Signed: Municipal Manager

	2018 R	2017 R
26. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	22 095 006	20 529 674
Intangible Assets	54 926	26 235
Investment Property carried at cost	2 400	7 999
Total Depreciation and Amortisation	22 152 331	20 563 908
	2018 R	2017 R
27. FINANCE COSTS		
Landfill site	996 833	684 414
Long service awards	518 530	125 638
Long-term Liabilities	49 780	76 517
Post Employment Health	148 329	476 574
Total Finance Costs	1 713 472	1 363 144
	2018 R	2017 R
28. BULK PURCHASES		
Electricity	12 931 660	12 948 236
Total Bulk Purchases	12 931 660	12 948 236

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

29. GENERAL EXPENSES	2018 R	2017 R
Advertisements	136 487	336 250
Assets written off	786 941	-
Auditors Remuneration	3 619 146	3 783 504
Bank Charges	187 994	200 988
Books, Magazines & Publication	17 886	21 392
Cleaning	600 508	158 285
Conferences and Seminars	630 670	1 087 710
Congress Fee	5 675	39 755
Consulting and Professional fees	996 133	1 430 090
Consumables	312 709	33 448
Data Cleansing	1 682 303	250 116
Disaster Expenditure	-	329 181
Drivers License Cards	58 540	24 727
Electricity Service Charges	240 360	169 388
Entertainment	55 238	-
Field Band Project	719 535	708 828
Fleet Management	63 634	73 628
FMS Expenditure and Licences	690 556	849 670
Fuel and oil	1 625 006	1 704 954
Indigent registration	284 050	-
Internal charges	86 863	237 231
Insurance	2 010 533	1 664 045
Learnerships	270 540	-
Legal fees	739 069	-
Lease rentals on operating lease	305 856	464 335
License Fees	817 892	701 389
Marketing	263 562	447 854
Material Stores	1 078 776	2 799 589
Mayor Cup	580 790	980 358
Medical Exams	154 161	-
Network Infrastructure Improvement	-	30 391
Pauper Burials	67 850	29 830
Plant Hire	-	195 000
PMS & IDP Compliance	57 297	384 985
Policies	-	39 817
Postage	4 886	6 438
Printing and stationery	1 179 939	1 555 730
Projects	2 665 921	3 092 086
Protective Clothing	900 000	799 077
Public participation	710 850	1 054 690
Refuse Bags	399 897	326 974
Relocation Cost	-	21 600
Revenue Enhancement Strategy	318 163	1 287 754
Schools	199 715	167 112
Security	3 912 295	3 164 236
Special Community Projects; example Youth day	979 804	783 629
Staff Tools Of Trade	40 291	279 056
Subscription and Membership fees	897 647	954 602
Subsistence and Travel	2 930 149	2 881 391
Telephone and fax	1 888 143	1 865 271
Traditional Leaders Expenditure	237 000	173 444
Training	500 702	751 649
Transport and freight	829 834	629 725
Travel - local	4 147 701	5 538 498
Valuation Roll	795 386	62 466
Ward Committee cost	329 235	472 120
Wellness Day	434 638	325 162
Total General expenses	<u>43 448 754</u>	<u>45 369 448</u>

EMALAHLENI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

30.		2018 R	2017 R
	CORRECTION OF ERROR IN TERMS OF GRAP 3		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
30.1	Opening Accumulated surplus	2018 R	2017 R
	Balance previously reported		
	Correction of Eskom bulk purchases 2012-2016	-	400 462 233
	Correction of old VAT accounts	-	12 730 492
		-	(4 284 143)
	Restated Balance	<u>-</u>	<u>408 908 582</u>

Eskom overcharged Emalahleni Municipality with R12 730 492 for electricity purchases during the years 2012 until 2016. A receivable was recognised for the overpayments made by Emalahleni Municipality in this regard. The adjustment to opening accumulated surplus represents the actual electricity charges, excluding Value added tax.

Input VAT relating to years preceeding the 2017 financial year, was never claimed from SARS, resulting the overstatement of the VAT receivable balance as at 30 June 2016 by R4 284 143. This was corrected against opening accumulated surplus during 2017/18.

30.2		2018 R	2017 R
	Receivables from non-exchange transactions		
	Balance previously reported		
	Correction of Eskom bulk purchases 2012-2016	-	1 656 701
		-	14 512 761
	Restated Balance	<u>-</u>	<u>16 169 462</u>

Eskom overcharged Emalahleni Municipality with R12 730 492 for electricity purchases during the years 2012 until 2016. A receivable was recognised for the overpayments made by Emalahleni Municipality in this regard. The adjustment to receivables from non-exchange transactions represents the actual electricity charges, including Value added tax.

30.3		2018 R	2017 R
	Taxes		
	Balance previously reported		
	Correction of Eskom bulk purchases 2012-2016	-	11 462 319
	Correction of old VAT accounts	-	(1 782 269)
		-	(4 284 143)
	Restated Balance	<u>-</u>	<u>5 395 907</u>

Eskom overcharged Emalahleni Municipality with R12 730 492 for electricity purchases during the years 2012 until 2016. A receivable was recognised for the overpayments made by Emalahleni Municipality in this regard. The adjustment to Taxes represents the reversal of Input VAT on the actual electricity charges.

Input VAT relating to years preceeding the 2017 financial year, was never claimed from SARS, resulting the overstatement of the VAT receivable balance as at 30 June 2016 by R4 284 143. This was corrected against opening accumulated surplus during 2017/18.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

31.	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2018 R	2017 R
	Surplus/(Deficit) for the year		
	Adjustments for:	(2 167 817)	1 665 548
	Depreciation and Amortisation		
	Loss/(Gain) on Sale of Fixed Assets	22 152 333	20 563 846
	Assets written off	(33 412)	1 244 154
	Contributed Property, Plant and Equipment	786 941	-
	Contribution to provisions – Non-Current Provisions	-	(36 664)
	Contribution from/to provisions - Non-Current - Expenditure incurred	996 833	2 384 932
	Movement in employee benefits	-	(331 995)
	Debt Impairment	1 728 193	291 683
	Bad Debts written off	3 508 522	2 327 348
	Operating lease income accrued	5 260 944	5 079 096
		10 030	4 266
	Operating Surplus/(Deficit) before changes in working capital	32 242 567	33 192 214
	Changes in working capital	(2 755 627)	(11 280 735)
	Increase/(Decrease) in Trade and Other Payables	(10 180 835)	(1 797 964)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(800 500)	(356 942)
	Increase/(Decrease) in Unpaid Conditional Government Grants and Receipts	1 691 866	(1 691 866)
	Increase/(Decrease) in Taxes	3 375 216	(5 434 784)
	(Increase)/Decrease in Receivables from exchange and non-exchange transactions	3 158 626	(1 999 179)
	Cash generated/(absorbed) by operations	29 486 940	21 911 479
32.	CASH AND CASH EQUIVALENTS	2018 R	2017 R
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Current Accounts - Note 10	2 602 716	10 260 055
	Call Deposits and Investments - Note 10	3 263 228	2 873 642
	Cash Floats - Note 10	470	300
	Total cash and cash equivalents	5 866 415	13 133 998
33.	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES	2018 R	2017 R
	Cash and Cash Equivalents - Note 32	5 866 415	13 133 998
	Less:	-	891 366
	Unspent Transfers and Subsidies - Note 17	-	891 366
	Net cash resources available for internal distribution	5 866 415	14 025 364
	Allocated to:		
	Employee Benefits Reserve	(9 981 781)	(9 032 175)
	Non-Current Provisions Reserve	(12 207 164)	(11 210 331)
	Resources available for working capital requirements	(16 322 530)	(6 217 142)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

34.	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2018 R	2017 R
	Long-term Liabilities - Note 11		
	Used to finance property, plant and equipment - at cost	1 147 989	295 485
		(1 147 989)	(295 485)
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.	-	-
35.	BUDGET INFORMATION	2018 R	2017 R
35.1	Explanation of variances between approved and final budget amounts		
	The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.		
	Statement of Financial Position		
35.1.1	Current Assets		
	Cash		
	<i>Improvement in the collection rate in the first half of the year and the opening balance used in the Original Budget was less than the actual balance at year end.</i>		
	Consumer Debtors		
	<i>Improvement in the collection rate in the first half of the year.</i>		
	Consumer Debtors		
	<i>Possible misalignment in budget between this line item and consumer Debtors</i>		
35.1.2	Non-current Assets		
	Investment Property		
	<i>Amounts in the original Budget were before finalisation of the Fixed Asset Register, and corrected in the Adjustment Budget</i>		
	Property, Plant and Equipment		
	<i>Amounts in the original Budget were before finalisation of the Fixed Asset Register, and corrected in the Adjustment Budget</i>		
	Intangible Assets		
	<i>Amounts in the original Budget were before finalisation of the Fixed Asset Register, and corrected in the Adjustment Budget</i>		
35.1.3	Current Liabilities		
	Current borrowings		
	<i>The lease contract was expiring in May 2018.</i>		
	Trade and Other Payables		
	<i>Aligned to the expenditure patterns and prior year trends where most invoices are submitted by suppliers towards year end.</i>		
	Current provisions		
	<i>Expected increases based on the current market trends and annual increases</i>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

35.1.4 Non-current Liabilities

Non-current borrowings

Reduction as the initial planned long-term loan was not taken up.

Non-current provisions

Reduced to the reasonable expected long-term portion based on assumptions and prior years trends.

Statement of Financial Performance**35.1.5 Revenue**

Property rates

Increased based on the data cleansing performed which corrected the billing and debtor accounts

Service Charges - Electricity Revenue

Reduced based on the underperformance of the line item and reduced demand of electricity.

Service Charges - Refuse Revenue

Increased based on trends the result of the line item performing above the original budgeted figures.

Rental of Facilities and Equipment

Increased based on the improved and expected further improvement on the collection rate.

Interest Earned - External Investments

Reduced due to underperformance due to lower grant amount received and time monies are invested.

Interest Earned - Outstanding Debtors

Reduced due to expected improved collection rate.

Fines

Reduced to underperformance due to lack of resources in Traffic Department.

Licences and Permits

Slightly reduced to bring it in line with current trends.

Agency Services

Slightly reduced to bring it in line with current trends.

Transfers Recognised - Operational

Correction of the EPWP Grant which was moved to Capital and correction of other amounts incorrectly budgeted for transfers.

Contributions Recognised - Capital

Correction of the EPWP Grant which was moved to Capital and correction of other incorrectly budgeted for transfers.

Other Revenue

Increased to keep it line with current trends.

35.1.6 Expenditure

Employee Related Costs

Reduced to keep it in line with current trends and to use the projected savings on other line items.

Remuneration of Councillors

Increased to agree the balance to the issued Gazette for Public Office Bearers

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Debt Impairment

Reduced due to the expected improved collection rate.

Depreciation and Asset Impairment

Increased based on the expected Depreciation for the year (increased additions)

Bulk Purchases

Reduced based on the Credit given by Eskom and the low demand of electricity during the year.

Other Materials

Reclassification of expenditures to the correct line items

Contracted Services

Reclassification of expenditures to the correct line items

Transfers and Grants

Reclassification of expenditures to the correct line items

Other Expenditure

Reclassification of expenditures to the correct line items

Cash flow statement

35.1.7 Cash flow from operating activities

Taxation

Expected increased/improved collection rate.

Service Charges

Expected increased/improved collection rate.

Other Revenue

Expected improvement in revenue due to implementation of the Revenue enhancement.

Government - Operating

Correcting the Government Grants to be received.

Government - Capital

Adding the EPWP to Capital as it was utilised for Capital Projects

Interest

Reduction due to current trends and the expected collection rate.

35.1.8 Cash flow from investing activities

Proceeds on disposal of PPE

Expected proceeds for the current year.

Payments - Capital Assets

Reduction based on the Loan to fund other Capital projects not being taken up.

35.1.9 Cash flow from financing activities

Borrowing long term/refinancing

Resulting from the 8 million loan not being taken up.

Repayment of Borrowing

Expected payments for the existing Finance Lease.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Explanation of variances greater than 5%: Final Budget and Actual Amounts

Statement of Financial Position

35.2.1 Current Assets

Cash

Due to increased expenditure than initially budgeted for as explained in St. of Fin Performance variances and reduced Creditors balance at year end.

Consumer Debtors

Due to collection rate being lower than anticipated and possible misalignment in budget between this line item and Other Debtors.

Other Debtors

Possible misalignment in budget between this line item and consumer Debtors.

35.2.2 Non-Current Assets

Investment Property

As a result more assets being classified as Investment Property.

Property, Plant and Equipment

Due to lower disposals/write-offs than anticipated and increased additions.

Intangible Assets

Due to higher amortization and lesser additions than anticipated.

35.2.3 Current Liabilities

Borrowing

New Finance Lease taken up during the year which was not budgeted for.

Trade and Other Payables

Improved payment turnaround time and compliance to the MFMA payment requirements.

Provisions

Overprovided for these provisions based on the prior years as they are only raised at year end.

35.2.4 Non-Current Liabilities

Borrowing

New Finance Lease taken up during the year which was not budgeted for.

Provisions

Overprovided for these provisions based on the prior years as they are only raised at year end.

35.2.5 Net Assets

Accumulated Surplus/(Deficit)

Variance considered reasonable

Statement of Financial Performance

35.2.6 Revenue

Property Rates

Differences due to data cleansing and correction of debtor accounts, difference immaterial and reasonable.

Service Charges - Electricity Revenue

Difference due to increased demand towards the end of the year resulting in excess sales and billing.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Service Charges - Refuse Revenue

Difference due to interruptions in services due to the 2 week strike resulting in reduced billing.

Rental of Facilities and Equipment

Slightly overbudgeted for Rentals based on increased revenue for the first half of the year.

Interest Earned - External Investments

Improved interest income due to better cashflow management.

Interest Earned - Outstanding Debtors

Linked to the reduced Refuse Service Charges as explained above.

Fines

Underperformance by the Traffic Department due to limited resources.

Licences and Permits

Difference considered reasonable.

Agency Services

Line item was overbudgeted for based on prior years outcomes.

Transfers Recognised - Operational

Difference considered reasonable.

Other Revenue

Line item was overbudgeted for based on prior years outcomes.

35.2.7 Expenditure

Employee Related Costs

Difference due to savings from unfilled and vacated posts.

Remuneration of Councillors

Difference considered reasonable.

Debt impairment

Underbudgeted for the line item due to the expected improvement in the collection rate.

Depreciation and Asset Impairment

Difference considered reasonable.

Finance Charges

Underbudgeted for the item based on prior years outcomes (only post to line item at year end).

Bulk Purchases

Underbudgeted due to credits that were received from Eskom and low demand that was experienced during the year.

Other Materials

Difference is as a result in different classification between the mSCOA budgeting and the actual GRAP reporting

Contracted Services

Difference is as a result in different classification between the mSCOA budgeting and the actual GRAP reporting

Transfers and Grants

Difference is as a result in different classification between the mSCOA budgeting and the actual GRAP reporting

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
37.3 VAT - [MFMA 125 (1)(c)]		
Opening balance	(2 855 849)	(3 951 047)
Amounts received - previous year	2 855 849	3 951 047
Amounts received - current year	6 108 244	446 068
Amounts claimed - current year	(6 213 794)	(3 301 917)
Closing balance	<u>(105 550)</u>	<u>(2 855 849)</u>

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2018 R	2017 R
37.4 PAYE and UIF - [MFMA 125 (1)(c)]		
Opening balance	1 211 446	-
Current year payroll deductions and Council Contributions	11 250 818	10 348 473
Amount paid - previous year	(1 211 446)	-
Amount paid - current year	(11 250 818)	(9 137 027)
Balance unpaid (included in creditors)	<u>-</u>	<u>1 211 446</u>

	2018 R	2017 R
37.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	15 578 814	15 042 714
Amount paid - current year	(15 578 814)	(15 042 714)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

	2018 R	2017 R
37.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:		
	Outstanding more than 90 days	Outstanding more than 90 days
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>-</u>

37.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Single Supplier	Type of Deviation		
			Impossible	Impractical	Emergency
September	23 356	23 356	-	-	-
October	44 166	44 166	-	-	-
November	35 541	35 541	-	-	-
January	72 382	59 762	-	12 620	-
February	74 748	59 695	-	15 053	-
March	157 955	139 688	-	18 268	-
April	77 244	58 939	-	18 304	-
May	130 252	111 154	-	19 098	-
June	403 134	381 851	-	21 282	-
	<u>1 018 777</u>	<u>914 152</u>	<u>-</u>	<u>104 625</u>	<u>-</u>

	2018 R	2017 R
37.8 Material losses		
Electricity distribution losses		
Units purchased (Kwh)	10 803 747	10 546 184
Units lost during distribution (Kwh)	2 986 982	2 827 768
Percentage lost during distribution	27,65%	26,81%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

38. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2018 R	2017 R
1% (2017: 1%) Increase in interest rates	(46 466)	106 060
1% (2017: 1%) Decrease in interest rates	23 233	(53 208)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 6 and 7 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Balances past due not impaired:

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	12,14%	2 358 141	10,25%	1 583 760
<u>Exchange Receivables</u>				
Services	6,35%	2 966 888	10,00%	4 793 780
	6,35%	2 966 888	10,00%	4 793 780

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 6 and 7 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2018 %	2018 R	2017 %	2017 R
<u>Non-exchange Receivables</u>				
Rates	28,31%	16 876 078	24,55%	13 750 525
<u>Exchange Receivables</u>				
Services	71,69%	42 727 516	75,45%	42 258 195
	100,00%	59 603 594	100,00%	56 008 720

The provision for bad debts could be allocated between the different categories of receivables as follow:

Ageing of amounts past due but not impaired are as follow:

	Exchange Receivables	Non-exchange Receivables
2018		
1 month past due	824 433	185 990
2+ months past due	2 142 456	2 172 151
	<u>2 966 888</u>	<u>2 358 141</u>
2017		
1 month past due	708 283	124 008
2+ months past due	4 085 498	1 459 752
	<u>4 793 780</u>	<u>1 583 760</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	4 014 264	5 683 400
Receivables from non-exchange transactions	5 910 505	16 169 482
Cash and Cash Equivalents	5 866 415	13 133 998
	<u>15 791 184</u>	<u>34 986 859</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	466 954	856 082	-	-
Trade and Other Payables	9 171 340	-	-	-
Unspent Conditional Grants and Receipts	-	-	-	-
	<u>9 638 293</u>	<u>856 082</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2017				
Long-term Liabilities	320 076	-	-	-
Trade and Other Payables	19 361 292	-	-	-
Unspent Conditional Grants and Receipts	800 500	-	-	-
	<u>20 481 868</u>	<u>-</u>	<u>-</u>	<u>-</u>
			2018 R	2017 R

39. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

39.1 Financial Assets**Classification**

		2018 R	2017 R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	2 620 242	1 677 745
Property Rentals	Financial Instruments at amortised cost	2 678 198	2 225 656
Waste Management	Financial Instruments at amortised cost	40 303 030	40 282 104
Chris Hani Debtor	Financial Instruments at amortised cost	1 140 309	3 776 090
		2018 R	2017 R
Receivables from Non-Exchange Transactions			
Eskom	Financial Instruments at amortised cost	3 357 740	14 512 761
Other Receivables	Financial Instruments at amortised cost	8 634	(51 068)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	2 602 716	10 260 055
Call Deposits	Financial Instruments at amortised cost	3 263 228	2 873 642
Cash Floats and Advances	Financial Instruments at amortised cost	470	300
Total Financial Assets		55 974 568	75 537 286

		2018 R	2017 R
Financial Instruments at amortised cost:			
Receivables from Exchange Transactions	Electricity	2 620 242	1 677 745
Receivables from Exchange Transactions	Property Rentals	2 678 198	2 225 656
Receivables from Exchange Transactions	Waste Management	40 303 030	40 262 104
Receivables from Exchange Transactions	Chris Hani Debtor	1 140 309	3 776 090
Receivables from Non-exchange Transactions	Eskom	3 357 740	14 512 761
Receivables from Non-exchange Transactions	Other Receivables	8 634	(51 068)
Cash and Cash Equivalents	Bank Balances	2 602 716	10 260 055
Cash and Cash Equivalents	Call Deposits	3 263 228	2 873 642
Cash and Cash Equivalents	Cash Floats and Advances	470	300
		55 974 568	75 537 286

39.2 **Financial Liabilities****Classification****Long-term Liabilities**

Capitalised Lease Liability

Financial Instruments at amortised cost

1 147 989 295 485

Trade and Other Payables

Trade Payables

Third party payables (Payroll)

Sundry Deposits

Sundry Creditors

Retentions and Guarantees

Financial Instruments at amortised cost

Financial Instruments at amortised cost

Financial Instruments at amortised cost

Financial Instruments at amortised cost

Financial Instruments at amortised cost

2018 R	2017 R
3 685 149	14 122 334
30 028	1 343 359
46 009	35 520
68 526	56 206
5 341 629	3 803 872

Other payables

Unspent conditional grants and receipts

Financial Instruments at amortised cost

- 800 500

2018 R	2017 R
10 319 328	20 457 277

SUMMARY OF FINANCIAL LIABILITIES**Financial instruments at amortised cost:**

Long-term Liabilities

Trade and Other Payables

Trade and Other Payables

Trade and Other Payables

Trade and Other Payables

Trade and Other Payables

Trade and Other Payables

Unspent conditional grants and receipts

Capitalised Lease Liability

Trade Payables

Third party payables (Payroll)

Sundry Deposits

Sundry Creditors

Other Payables

Retentions and Guarantees

Unspent conditional grants and receipts

2018 R	2017 R
1 147 989	295 485
3 685 149	14 122 334
30 028	1 343 359
46 009	35 520
68 526	56 206
-	-
5 341 629	3 803 872
-	800 500
10 319 328	20 457 277

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

40. STATUTORY RECEIVABLES

2018
R2017
R

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes

VAT Receivable

3 423 986

7 204 648

Receivables from Non-Exchange Transactions

Rates

19 420 209

15 458 293

19 420 209

15 458 293

Total Statutory Receivables (before provision)

22 844 195

22 662 941

Less: Provision for Debt Impairment

(16 876 078)

(13 750 525)

Total Statutory Receivables (after provision)

5 968 117

8 912 417

Reconciliation of Provision for Debt Impairment2018
R2017
R

Balance at beginning of year

13 750 525

11 257 775

Contribution to provision

3 186 073

2 492 750

Write offs

(60 519)

-

Balance at end of year

16 876 078

13 750 525

Ageing of amounts past due and impaired:2018
R2017
R

1 month past due

17 062 069

13 874 533

2+ months past due

17 062 069

13 874 533

Ageing of amounts past due but not impaired:2018
R2017
R

1 month past due

185 990

124 008

2+ months past due

2 172 151

1 459 752

2 358 141

1 583 760

Interest Received from Statutory Receivables2018
R2017
R

Taxes

1 494 171

1 345 990

Receivables from Non-Exchange Transactions

1 494 171

1 345 990

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41. CONTINGENT LIABILITY	2018 R	2017 R
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
<i>Description of event</i>		
Summons was issued against Emalahleni Municipality by W.Kuyane. The Plaintiff, Mr Mkuyana, has sued the Municipality for damages based on non compliance with the contract of employment by the employer. The matter was set down for trial in the Mthatha High Court in June 2016. The matter was postponed sine die during the June 2016 hearing. A cost order was granted against the Plaintiff. During December 2017 certain properties of the Plaintiff were attached and subsequently sold on auction. An amount of R40 000.00 was realised from the auction. The matter was handled by BLC Attorneys because it was a pending matter before their contract with the Municipality expired.	3 191 000	3 191 000
Magwayi vs Emalahleni Local Municipality: The Plaintiff is suing on behalf of the minor child, who was electrified at the Dodrecht sub-station. The Plaintiff is suing for damages based on the negligence of the Municipality to properly secure the substation. The Plaintiff is suing for an amount of R3,500 000.00 in damages. All papers have been exchanged between parties. The matter is set down for trial in August, pending negotiations between the parties.	4 000 000	-
Vatala vs Emalahleni Local Municipality: The Municipal Manager and Director: Corporate services took the Municipality to court after council rescinded their appointment. Council had rescinded that decision. Matter is still in court.	300 000	-
Claims against Council		
CONTINGENT ASSETS	7 491 000	3 191 000
A fraud case against employees amounted to R332 186.94 is in the process of investigation and mitigation.		
Claims by Council	322 187	322 187
	322 187	322 187

2018
R
2017
R

42. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

42.1 Related Party Transactions

Year ended 30 June 2018	Rates	Service Charges	Other	Outstanding Balance
Councillors				
MS LIMBA	-	1 089	9	0
LCN NYUKWANA	1	-	-	1
PF GREYLING	13 474	2 177	41	(1 421)
PF GREYLING	-	1 089	3	(1)
PF GREYLING	1 321	2 177	10	1
PF GREYLING	2 298	-	6	(211)
PF GREYLING	811	-	9	(148)
PF GREYLING	113	-	0	(10)
PF GREYLING	583	-	2	(53)
PF GREYLING	5 235	-	15	(480)
PF GREYLING	10 049	-	25	(922)
	33 885	6 533	119	(3 245)

43. **FINANCIAL SUSTAINABILITY**

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio decreased to 0.58:1 from 1.12:1 in the prior year.

The municipality has budgeted for a surplus of R 9 139 706 for the 2018/2019 financial year. The municipality is also budgeting for positive cash flows during 2018/2019 and 2019/2020 amounting to R 24 853 340 and R 34 940 037 respectively.

The average debtors' payment days increased to 841 days from 748 days. The debtors impairment ratio increased to 86% from the previous year's 72%.

The average creditors' payment days decreased to 20 days from 65 days.

A deficit for the year was realised.

A net current liability position was realised.

The municipality's assets exceeded its liabilities by R408 406 314 (2017: R410 574 125).

Other Indicators

Possible outflow of resources due to the contingent liability disclosed in note 41.

APPENDIX A
EMALAHLENI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2017	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
LEASE LIABILITY										
Aloe Office & Business Solutions	17.39%	-	2018/05/26	138,098	-	-	(138,098)	-	-	-
Aloe Office & Business Solutions	17.72%	-	2018/06/11	109,041	-	-	(109,041)	-	-	-
FINTECH	9.75%	-	2018/04/29	48,345	-	-	(48,345)	-	-	-
Xerox C405	6.25%	-	30/04/2021	-	-	18,813	(904)	17,908	17,782	-
Xerox C405	6.25%	-	30/04/2021	-	-	18,813	(904)	17,908	17,782	-
Xerox C405	6.25%	-	30/04/2021	-	-	18,813	(904)	17,908	17,782	-
Xerox C405	6.25%	-	30/04/2021	-	-	18,813	(904)	17,908	17,782	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47,095	(2,264)	44,831	44,515	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47,095	(2,264)	44,831	44,515	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47,095	(2,264)	44,831	44,515	-
Xerox C7020/5	3.17%	-	30/04/2021	-	-	47,095	(2,264)	44,831	44,515	-
Xerox WC7225	6.25%	-	30/04/2021	-	-	47,095	(2,264)	44,831	44,515	-
Xerox WC7225	6.25%	-	30/04/2021	-	-	47,095	(2,264)	44,831	44,515	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145,896	(7,013)	138,883	137,901	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145,896	(7,013)	138,883	137,901	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145,896	(7,013)	138,883	137,901	-
Xerox C8070	5.02%	-	30/04/2021	-	-	145,896	(7,013)	138,883	137,901	-
Xerox D95	5.02%	-	30/04/2021	-	-	264,552	(12,716)	251,835	250,056	-
Total Lease Liabilities				295,484	-	1,205,956	(353,451)	1,147,989	1,139,876	-
TOTAL EXTERNAL LOANS				295,484	-	1,205,956	(353,451)	1,147,989	1,139,876	-

APPENDIX B
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
120 347 481	(38 685 148)	81 662 333	Budget and Treasury	120 865 046	(39 791 110)	81 073 936
5 070 766	(17 744 943)	(12 674 177)	Community Services	2 000 437	(20 510 185)	(18 509 748)
97 730	(19 123 166)	(19 025 436)	Corporate Services	-	(19 971 938)	(19 971 938)
6 626 664	(21 550 560)	(14 923 896)	Council	6 669 540	(21 532 660)	(14 863 120)
20 597 362	(24 997 594)	(4 400 233)	Electricity	10 385 363	(16 400 535)	(6 015 172)
204 000	(12 074 188)	(11 870 188)	Executive	-	(10 250 288)	(10 250 288)
-	-	-	Fire fighting and rescue service	-	(631 263)	(631 263)
13 500	(2 475 017)	(2 461 517)	Housing Services	-	(2 489 258)	(2 489 258)
17 622	(5 639 995)	(5 622 372)	IPED	-	(7 656 513)	(7 656 513)
6 965 348	(8 523 016)	(1 557 667)	Refuse	884 425	(9 132 966)	(8 248 541)
28 833 075	(36 295 173)	(7 462 098)	Roads Transport	6 445 179	(38 072 868)	(31 627 689)
800	-	800	Water and Sanitation	37 021 777	-	(1 051 091)
188 774 348	(187 108 800)	1 665 548	Total	184 271 768	(186 439 584)	(2 167 816)

APPENDIX C
EMALAHLENI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018
MUNICIPAL VOTES CLASSIFICATIONS

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
6 830 664	(33 624 748)	(26 794 084)	Executive & Council	6 669 540	(31 782 947)	(25 113 407)
120 347 481	(38 685 148)	81 662 333	Budget and Treasury Office	120 865 046	(39 791 110)	81 073 936
97 730	(19 123 166)	(19 025 436)	Corporate Services	-	(19 971 938)	(19 971 938)
17 622	(5 639 995)	(5 622 372)	Planning and Development	884 425	(7 656 513)	(6 772 088)
-	-	-	Health	-	-	-
5 070 766	(16 637 305)	(11 566 539)	Community & Social Services	1 994 694	(19 971 215)	(17 976 521)
13 500	(2 475 017)	(2 461 517)	Housing	-	(2 489 258)	(2 489 258)
35 951	(1 090 287)	(1 054 336)	Public Safety	11 896	(587 404)	(575 508)
-	(1 107 639)	(1 107 639)	Sport and Recreation	5 743	(1 170 233)	(1 164 490)
6 965 348	(8 523 016)	(1 557 667)	Waste Management	6 445 179	(9 132 966)	(2 687 787)
800	-	800	Waste Water Management	-	-	-
28 833 075	(36 295 173)	(7 462 098)	Road Transport	37 021 777	(38 072 868)	(1 051 091)
-	-	-	Water	-	-	-
20 561 411	(23 907 307)	(3 345 897)	Electricity	10 373 468	(15 813 131)	(5 439 664)
-	-	-	Other	-	-	-
188 774 348	(187 108 800)	1 665 548	Sub Total	184 271 768	(186 439 584)	(2 167 816)
-	-	-	Less Inter-Departmental Charges	-	-	-
188 774 348	(187 108 800)	1 665 548	Total	184 271 768	(186 439 584)	(2 167 816)

APPENDIX D
EMALAHLENI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2017	Correction of Error	Restated Balance 30 June 2017	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
National Government Grants											
Equitable Share	-	-	-	115 992 000	-	-	(115 992 000)	-	-	-	-
Finance Management Grant	-	-	-	2 345 000	-	-	(2 345 000)	-	-	-	-
Municipal System Improvement Grant	-	-	-	-	-	-	-	-	-	-	-
Municipal Infrastructure Grant	-	-	-	34 061 000	-	-	(1 703 050)	(32 357 950)	0	0	-
Integrated National Electrification Grant	-	-	-	-	-	-	-	-	-	-	-
Extended Public Works Program	-	-	-	1 308 000	-	-	-	(1 308 000)	-	-	-
Total National Government Grants	-	-	-	153 706 000	-	-	(120 040 050)	(33 665 950)	0	0	-
Provincial Government Grants											
Housing	-	-	-	-	-	-	-	-	-	-	-
Library	-	-	-	900 000	-	-	(900 000)	-	-	-	-
Department of Roads and Public Works	(1 205 102)	-	(1 205 102)	1 205 102	-	-	-	-	-	-	-
Total Provincial Government Grants	(1 205 102)	-	(1 205 102)	2 105 102	-	-	(900 000)	-	0	0	-
District Municipality											
Paving and beautification	(486 764)	-	(486 764)	500 000	-	-	(13 236)	-	-	-	-
Construction of Feedlot	800 500	-	800 500	-	-	-	(800 500)	-	-	-	-
Total District Municipality Grants	313 736	-	313 736	500 000	-	-	(813 736)	-	-	-	-
Total Grants	(891 366)	-	(891 366)	156 311 102	-	-	(121 753 786)	(33 665 950)	0	0	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.